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BUSINESS WEEK

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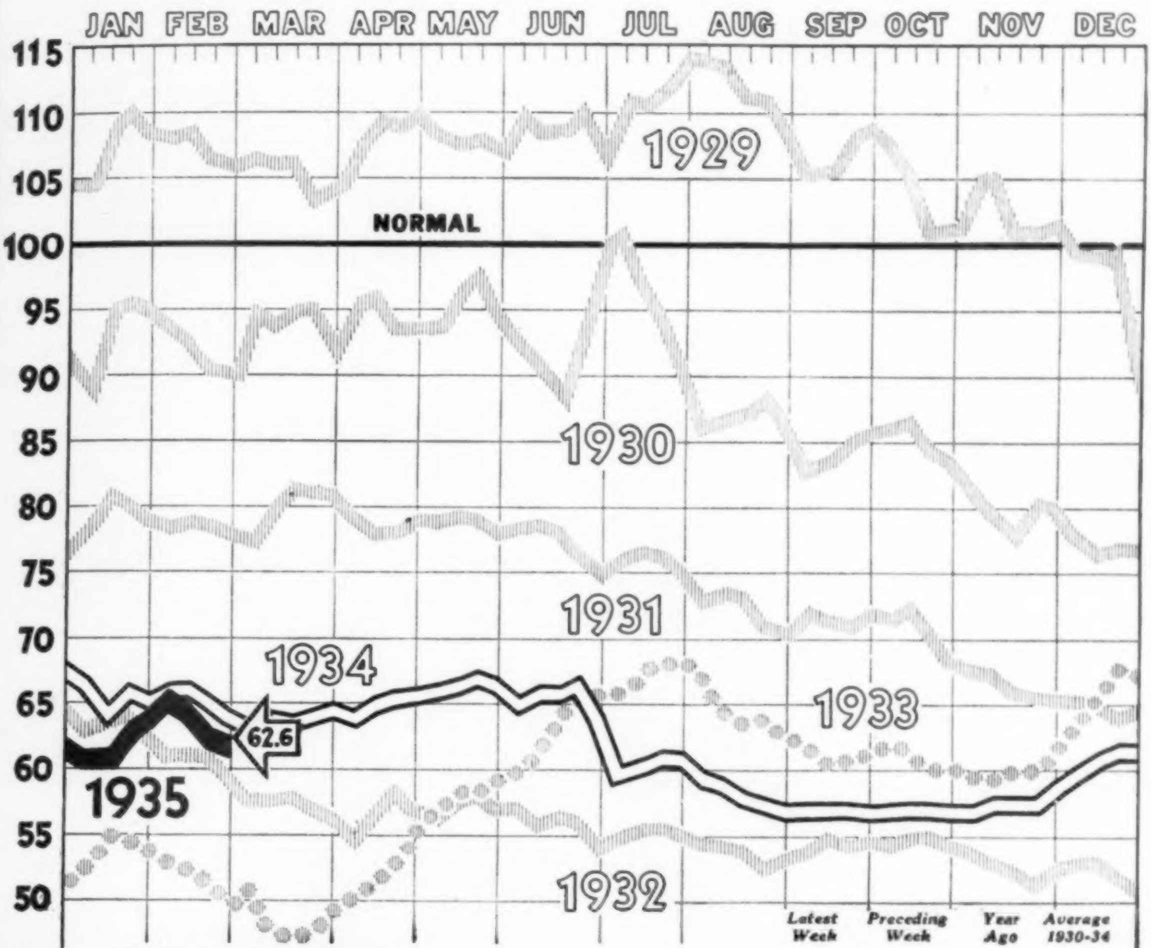
Acme

PERMANENT CODE—While other industries debate 2-year extension of NRA, these bituminous coal leaders are tied up in Senate hearings on a bill for complete government supervision of their industry outside NRA, now and forever.

WEEKLY INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Year Ago	Average 1930-34
BUSINESS WEEK INDEX	*62.6	†63.0	64.4	68.7
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	47.9	49.1	45.7	44.5
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$3,373	$3,712	$5,912	$6,411
★ Bituminous Coal (daily average 1,000 tons)	*1,419	†1,425	1,336	1,358
★ Electric Power (millions K.W.H.)	1,728	1,761	1,646	1,609
TRADE				
Total Carloadings (daily average 1,000 cars)	97	99	100	110
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	61	61	61	69
★ Check Payments (outside N. Y. City, millions)	$3,618	$2,847	$3,213	$3,788
★ Money in Circulation (daily average, millions)	$5,452	$5,440	$5,345	$5,171
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.00	$1.00	$.84	$.73
Cotton (middling, New York, lb.)	$.126	$.127	$.122	$.103
Iron and Steel (STEEL, composite, ton)	$32.50	$32.54	$31.34	$31.00
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.078	$.093
All Commodities (Fisher's Index, 1926 = 100)	82.2	82.4	74.2	72.2
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,460	$2,468	$2,584	$1,765
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$18,215	$18,245	$17,494	......
★ Commercial Loans. Federal Reserve reporting member banks (millions)	$4,567	$4,551	$4,718	......
Security Loans, Federal Reserve reporting member banks (millions)	$2,983	$3,016	$3,630	......
Brokers' Loans, Federal Reserve reporting member banks (millions)	$852	$872	$1,007	......
Stock Prices (average 100 stocks, Herald Tribune)	$96.94	†$97.91	$103.48	$118.81
Bond Prices (Dow, Jones, average 40 bonds)	$96.98	†$97.16	$91.69	$87.45
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	2.1%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾%	¾%	1¼-1½%	2.8%
Business Failures (Dun and Bradstreet, number)	285	233	255	577

* Preliminary † Revised ★ Factor in *Business Week* Index

The Business Outlook

IF manufacturing production in the first quarter of 1935 reaches the highest level since the spring months of 1930, as now seems likely, it will be due almost entirely to the surprising expansion of the consumer goods industries. Textile, automobile, tire, tobacco, and shoe production began the year well above the average for the years 1923-1925, pushing the adjusted index of production of the Reserve Board to 89% of the base period, higher than any month in 1934. Since the September low of 1934, manufacturing activity has expanded 20 points, and February and March may see a few more points added to the latest spurt.

Heavy Industries Lag

On the other hand, the heavy industries have experienced only mild expansion. Steel production has been lifted by demand from such consumer industries as motors, farm implements, refrigerators, stoves, radios, and the like. Lumber production hovers at low levels since residential and other construction remains virtually dormant. January contracts were 47% below 1934, and the first returns for February fall 26% below last year. Cement production also continues at depressed levels, despite the expansion in demand that started up last year. Railroad freight movement in January, while better than in December, fell slightly below the year before. February promises little improvement.

The Congressional Hazard

Just how disturbing to business expansion are the deliberations of Congress is problematical. Most major measures are now in committee. The Administration is essentially conservative with regard to many of them. Even the Wheeler attack on "bigness" is due for substantial trimming. Some opposition to the banking bill is gathering. Treasury objections to the original planks of the social security program are narrowing the coverage contemplated. And the relief bill, snagged by politics and effective labor opposition on the wage provision, will not be permanently sidetracked with an Administration committed to public works expansion.

Steel Sees Orders Ahead

Our own index of general business activity continues to dip in response to temporary and counter-seasonal slackening in steel ingot production, together with the continued lightness of construction. Yet steel leaders are not disturbed at this reaction despite the weakness in scrap prices. In Chicago, Detroit, and Birmingham, steel activity is either at 54% of capacity or at 100%, unchanged or better than earlier weeks. Leading steel customers are expected to enter the market in good volume in March for second-quarter requirements. As in past years, the peak in steel production is expected to be reached in March or April.

Motors Keep Climbing

Automobile assemblies continue to expand. January was up 60% from December. February is put at 360,000; March at 400,000. Ford has scheduled 400,000 out of his million for the first 3 months of 1935. Chevrolet, hampered somewhat in getting bodies in sufficient quantities, will be an important steel customer in the second quarter. Passenger car sales in the first 2 months of this year have been unusually good. Polk places the January totals at 137,000, up 124% from a year ago.

Farm Buying Better

Other business is due to come steel's way, now that second-quarter prices have been confirmed at first-quarter levels. Farm implement makers are substantially busier than a year ago when they consumed almost 1½ million tons of finished steel, the best since 1929. They'll do better than that this year. And with farmers making improvements to fences, roofs, barns, and other properties, the prospects for agricultural demand for steel look even brighter.

Air-Conditioning's Aid

Then there is the air-conditioning industry that absorbed 28,000 tons last year, and stands a chance of doubling this tonnage in 1935. In 10 years, this single outlet is counted good for 450,000 tons a year. Cold weather is hampering construction, but an 88-mile oil pipe line for California is due to be laid soon, the first large pipe project of many months. Besides, the steel industry itself is undertaking some construction to modernize its plants and provide better sheets for the motor industry. Big Steel is figuring on $47 millions, Bethlehem on $20 millions; Jones & Laughlin, fourth largest producer, plans to spend $4 millions.

Construction Slow Starter

February construction is off to a poor start. Residential awards are 27% under the January daily rate and 4% below a year ago. Non-residential contracts are 5% behind last month, 9% behind last year, while public works and utility projects fell 16% behind the none-too-good January rate and 41% below a year ago. The excellent showing made by construction material firms last year, particularly in the last quarter, is related to the successful initiation of the modernization campaign rather than to new construction. Some $40 millions of individual loans for repair purposes have been made.

Utilities Get a Break

Utilities which feel that they have been getting more than their share of adverse consideration these days were undoubtedly gratified at the Grubb ruling against TVA power sales. Refrigerator makers who feared that the low-priced refrigerators demanded by the Tennessee Valley experiment would cut into the national average were pleased to find that the average price had actually increased over the 1933 level by nearly $3 per unit.

Cotton Spinning Jumps

While cotton consumption in February is expected to fall below the 547,000 bales of January, due in part to the shorter month and in part to a 25% curtailment in certain branches of industry, the rate continues satisfactory. Cotton spinning in January jumped to 102.6% of capacity, compared with 87.1% in December. Cotton cloth production in mid-February reached the highest level to date. Protests against the burden of the cotton processing tax are still heard, though some members of the industry wonder if removal of the tax will not result in a clamor for price reductions exceeding the tax burden.

Shoe Production Peak

A final count of last year's shoe production reveals that 1934 had a 1.9% edge on the 1933 total, bringing the year only 1% behind the 1929 peak. Men's work shoes gained 9.9% over 1933, the best of the list, excepting the lowly house slipper. New York State made first place with 80.6 million shoes to its credit against 71.6 millions for Massachusetts.

Employment

As expected, manufacturing employment in January increased less than 1% over December, with durable goods groups gaining 2.6% and non-durable producers showing a 0.9% decline. Due to longer hours, payrolls made a slightly better showing.

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Reenactment of NIRA will proceed regardless of the sweeping defeat of the government on Section 7-a in the Wierton case. Congress cannot wait for a Supreme Court decision. Best legal opinion is that any attempt to short-circuit the Circuit Court of Appeals will fail, thus dragging out the final decision for probably a year. Besides, the sentiment to continue 7-a without change is too solidly frozen to be thawed by dubious legal necessities, even if it were known how to rewrite the section to meet Judge Nields' decision.

> ***WHAT CONGRESS DID***
>
> ***The Senate:***
>
> ***Recommitted the Work Relief Bill.***
>
> ***Authorized investigation of middleman's profits.***
>
> ***The House:***
>
> ***Approved processing tax for rice.***
>
> ***Passed appropriation bills—$378 millions for War Dept., $98 millions for State, Justice, Commerce, Labor.***

More strength for the Wagner Labor Relations bill will result from the Wierton decision. However, that bill is still almost certainly doomed to failure.

Spar Over NRA Probe

There is much interest—and much sparring — over the question of whether the Administration can control congressional committees in the proposed investigations of NRA and other New Deal agencies. Critics seem assured of getting at least one embarrassing questioner on each probing unit.

Income Publicity Under Fire

"Pink slip" publicity for income tax returns may be repealed in time to prevent publication, which is scheduled for late summer. Reason: The most amazing flood of protests since wartime. Congress knows this is inspired, but also knows it is real, and backed by tremendous newspaper editorial support.

Utility Protests Unavailing

Public utility stockholders, also flooding Congress with protests on holding company legislation, are not in so strategic a position. They fight a much stronger sentiment on Capitol Hill as to political expediency. They also fight the President, whereas he has never publicly approved income tax return publicity. Cheered by arguments for regulation, instead of elimination, of holding companies, investors are appealing to their senators and representatives. But it still appears that the bill as enacted, while perhaps modified, will be very drastic.

Conservatives' "White Hope"

The President not only has an excellent chance of winning out all along the line in his Work Relief bill fight, but is strengthening his strategic position politically. With Senator Vandenberg, much-talked-about Republican Presidential possibility for 1936, and other conservatives voting for the prevailing wage, Roosevelt becomes more strongly entrenched as the white hope of conservatives. Vandenberg's alibi for his vote may be sound, but it is the type of thing very difficult to explain to voters.

Prevailing Wage Doomed

The prevailing wage amendment will not survive. It will either be killed in the Senate or in conference. If an upset should put it through, the President will veto the bill, which would then be repassed without wage amendment.

Tax Threat Aids Opponents

Concern about government credit, as predicted by *Business Week*, has now become one of the main obstacles to the President's getting his way on Work Relief. The conservative group, anxious about credit, will make a strong fight to pare down the total of the $4-billion bill. Demand for new taxes to finance the bill is a gesture to emphasize the threat to credit. Meanwhile, the actual fear of heavier taxes is operating to increase the strength of the conservatives. However, verbal promises by the Administration to various states are likely to be more effective, thus keeping the amount of the bill well up toward the $4 billions asked.

Oil Keeps Private Status

Continued threats by Lord High Oil Administrator Ickes to make the oil industry a public utility may be disregarded for the time being at least. The Connally Bill, now law, dooms any move in that direction as the Federal Tender Board, reestablished Mar. 1, previously was—and presumably will again be—able to reduce the flow of hot oil to low levels.

Railroads on the Spot

Railroad reorganization, refinancing, scaling down of bonds, and sharp curtailment of equity values, predicted for all except very strong roads by RFC Chairman Jones, are now in prospect for the near future, instead of something which might come some time or other. Hence the heavy selling in railroad securities.

Strict Accounting Demanded

To the great distress of radicals there is now a possibility, if not a probability, that the Clark-Shannon bill to require businesslike government accounting on all federal activities competing with private industry may pass. Such a prospect was unthinkable a month ago.

Food Industries Under Fire

Processors of agricultural products are to be investigated by the Federal Trade Commission under congressional instructions. Object: To determine whether their industry is not taking too large a share of the markup and to divert criticism from AAA processing taxes. Drastic recommendations may eventuate, especially on mill products, though all food and textiles will be under fire.

Urge War Profit Slice

Defense of war profits, voiced by Bethlehem Steel's Eugene Grace, has strengthened the hand of radicals planning more government building of ships and less private munitions work, with profits cut on what is left.

No Contract Cancellations

Ocean-mail carriers will not be ruthlessly slapped as were airmail contractors. The recasting of contract arrangements will come as a part of new shipping policies. Which leaves shipping interests free to work on pending legislation without fear of punitive cancellations.

Support for Bank Bill

Unexpected support from many Reserve member bankers for the new banking legislation adds to the certainty that the measure will pass despite the opposition of the Carter Glass group to increasing political power over the country's banking structure. There is unexpected support among individual bankers for the idea of more industrialists and fewer bankers on Reserve Bank boards.

BUSINESS WEEK

MARCH 2, 1935

Labor Comes Up for the Test

NRA revision and another Wagner Bill once more draw a battle line across the New Deal's failure to settle the issue of labor relations.

THE fate of NRA, and with it the future of labor relations under the government, rests today in the hands of a very jittery Congress. NRA, baptized by General Johnson at the very beginning as "a labor law," is now finding virtually all the emphasis on its revision turning to the labor side. The President's message on NRA passes the well-worn buck on to Congress, suggests no answer to the unsolvables therein, and touches only mildly on the vital question of enforcement and trade practices. Article 7-a, the collective bargaining clause, for whose clarification industry has been begging, is set aside with a phrase, but the demands for "adequate standards of labor relations" are reiterated.

Then, almost simultaneously with the message avoiding so many grizzly issues in NRA, the Wagner "labor disputes bill" stalks grimly on the scene, with its own solution of all labor problems. It is similar to the dubious effort of last year to entrench the A. F. of L. behind government support of majority rule in collective bargaining and outlawry of the "company union." It fails to include the change that Senator Wagner himself said was necessary—last year: the protection of the worker from coercion from any source, labor organizers as well as employers.

The A. F. of L. Program

While NRA legislation steps mildly forward, with its arm crooked in that of the snorting Wagner labor bill, the A. F. of L. legislative program takes clear shape around it. Main features are the 30-hour week bill, "prevailing wages" in work-relief, equal representation on code authorities, heavier representation on the NRA board itself. Taking this trading setup (of which the Federation expects to win only a part), the whole scene of NRA–labor revisions develops into a vast hockey game played on the glittering surface of Washington's brittle political millpond.

Beneath that icy surface of the things that Congress lets on it is doing, much more is happening to NRA and to the labor policy of the Administration. A fire-eating committee is investigating NRA. It is being done this time, not by Clarence Darrow (whose dignified years were so much the subject of discussion when he handled the monopoly inquiry last year), but by Senators King, Borah, and McGill, famous and active war-horses, with the youthful and obstreperous Senator Nye in the background. And behind the NRA board itself is trouble, in the unmistakably growing conviction of business that union labor's quarrels are more powerful determinants of NRA policy than the issues of unfair trade practices and the need of code enforcement against violators of trade provisions.

The President's message dealt essentially in generalities. It asked: extension of NRA for 2 years; clarification of "policy and standards for the Administration . . . to profit by what we have already learned"; unquestioned power of the government to impose codes; full protection of rights of employees to organize and bargain collectively; tighter application of the anti-trust laws; added protection to small business against discrimination and oppression; no price-fixing by private monopolies; government supervision of natural resources—coal, oil, gas; code enforcement without putting people in jail, but expedited by civil procedure.

None of these recommendations was accompanied by suggestions as to how to do it; the draft sections from various government bureaus were promised, and the committee is to prepare the final bill in the fond hope that it will get through without revisions.

Woven Into Both Measures

The questions raised by the labor provisions in NRA—especially whether 7-a is left as it is or clarified—are interwoven with the Wagner bill and the other labor legislation. Among the unsolvables of the NRA problem from the beginning has been the labor issue, specifically the collective bargaining provisions and whether they meant that a majority of employees should speak for all or whether the "closed shop" thus fostered was not of itself "employer coercion" against the minority who did not want to be represented by that majority. The President's message avoided that issue, apparently wished that so

Wide World

THE HIGH COMMAND—S. Clay Williams, whose National Industrial Recovery Board would continue to work out the destinies of NRA if plans for its 2-year continuation are enacted by Congress, leaves the White House after a conference with the President in company with Donald Richberg (right), who is generally credited with the authorship of the new NRA legislation.

far as NRA was concerned it should not be raised. Yet endless trouble has come from this problem since June 16, 1933.

Had a Labor Start

NIRA itself was conceived, in part, as a substitute for the Black 30-hour bill, and it was sold to the A. F. of L. as a chance to organize, even control, all workers. Article 7-a early began causing trouble, and Senator Wagner was then drafted by the President to head the National Labor Board, appointed under NIRA to decide the mixed labor issues. From its failures grew the Senator's first "labor disputes bill" that turned, last session, into Public Resolution 44, which laid the basis for the Presidential National Labor Relations Board.

This board decided 7-a meant majority rule; General Johnson said, and still holds, it did not. The Department of Justice has avoided the issue. Wagner holds that the much-disputed 7-a needs teeth; he would have them long and sharp and anti-industry. Others, less devoted to union labor, would have preferred that NIRA itself solve the problem by clarification. The decision handed down this week by the Federal District Judge sitting in the famous Weirton case (page 14) makes general clarification of 7-a by Washington more vitally important than ever.

The new Wagner labor disputes bill sets up 4 "unfair labor practices," violation of any of which brings down on the offender the very considerable punitive powers vested in the NLRB. These practices are (1) interfering with organization and collective bargaining, (2) dominating or interfering in the formation of a labor organization or contributing financial or other support to it, (3) discrimination, but with the provision that the employer *may* discriminate by making a contract with an "approved labor organization for a closed union shop," and (4) penalizing employees who file charges or testify under the Act.

Majority Rule

Majority rule is written into the bill, also various fine legal powers for the board, such as the right to amend complaints at its discretion and dispense with ordinary rules of evidence, making the board findings of fact conclusive, authorizing district attorneys to institute suits "solely at the request of the NLRB" (thus bypassing the Department of Justice). The board would be an absolutely independent agency, hardly answerable even to the President himself, and not at all to the Department of Labor. It would have "exclusive" jurisdiction over labor questions, irrespective of any arrangements "by agreement, code, law or otherwise." It could issue cease and desist orders, and on its sole request, any district attorney of a United States court must institute suits in equity against offenders on any of these "unfair labor practices."

Underwood & Underwood

LABOR CONCERT—No sour notes marred the opening this week of the Labor Department's new building, but not even the music played by this United Mine Workers band, all decked out in its best bib and tucker for the dedication ceremonies, had charms to soothe restless labor leaders who much prefer such tunes as Senators McCarran, Black, and Wagner play in advocating pro-union legislation.

Talking of "Bigness"

So far, the Administration is just talking against bigness in business. Action may depend on the effect of the verbal warnings from Washington.

Sticks and stones
May break my bones,
But words will never hurt me.

If "Big Business" will remember that during the next year, or maybe two, it will be a lot happier. For it is going to be subjected to a barrage of ugly words, and from very high quarters. But there is no indication that anything more punitive will happen.

The Administration does not like bigness. There is no doubt about this attitude having been manifested. Reflected from the White House to the Department of Justice, it promptly resulted in suits to prevent the Republic Steel merger, to break interlocking steel directorates. Reflected to friends on Capitol Hill, it has had varying results. One is that it has brought leaping into the picture Senator Burton K. Wheeler of Montana, who is no friend of the Administration at all.

The Senator has introduced a "bigness bill" which he knows perfectly well goes much further than Roosevelt ever thought of going. It puts him in the position of being the Senator Norris of the anti-bigness movement. Also, it puts whatever position the President may take later in the namby-pamby class so far as the radicals are concerned.

The attack of Senator Borah on bigness, launched in his bill, is much more conservative and right in line with the Idahoan's known views on monopoly, sounded most recently in his cry that NRA is fostering trusts.

There are sticks and stones aplenty in the Wheeler proposal. A tax starting at 3% on corporation incomes above $3 millions and running up to 25% on incomes above $50 millions would not be just "words" IF it could get enacted. But it couldn't, and the President wouldn't sign it if it could.

Whether the President would go to the point of placing a tax on mere size is another question. Certainly he would never approve the Wheeler scale. Certainly he would exempt a great many lines—telephones, for example, and railroads. The probability is that he will not recommend a sliding-scale measure aimed at bigness during this session. However, from the temper of his directions to Attorney-General Cummings and his conversations with senators and Brain Trusters, it is fairly sure that there will be some blanket denunciation of bigness as tending to become unmanageable—voiced in a message to Congress, a radio talk, or a public speech.

All this is part and parcel of his eco-

nomic views. He likes the idea of the little business man, struggling along with intensive application and profits big enough for an automobile, but not a yacht. He dislikes business so big that its heads take on too much importance and attempt to tell the government what to do, instead of humbly praying for the success of the New Deal. Big profits, he believes, were largely responsible for the depression. He stated in his acceptance speech that piled-up profits lead to duplication of plant capacity. Also he thinks that they gradually dry up purchasing power. So he holds that small profits for all are eventually beneficial to the very business men whose profits he would curtail.

Wants Low Prices

The move against the steel merger adds another angle of the President's objections to bigness. This is the objection to its monopolistic possibilities. He wants to keep steel prices down to encourage more steel buying, to provide employment among steel buyers and in the mills themselves. There are now 2 gigantic steel companies—U. S. and Bethlehem—and a host of small ones. A fair-sized group of these latter would weld into a third giant if the Republic plans went through. Roosevelt believes that he can get lower prices—hence more business at lower profits—if the government is dealing with a lot of smaller companies individually.

There is another point in this suit. Even government lawyers are not sure the anti-trust laws could prevent this steel merger. The Supreme Court might be inclined to smile at calling a combination of companies a trust when there are still 2 larger units in the same field. Nor is it conceded simple to demonstrate that the combination might result in restraint of trade on the government's theory that 3 big steel companies could conspire to regulate the business more easily than 2 big ones and a lot of little ones.

But the decision in this suit is not expected for some time—maybe not for a year or two. Meanwhile, it will be hanging over the situation. Every business man who wants to merge with a competitor will be worried about it. Every corporation lawyer will be inclined to advise against mergers until the suit has been settled. Washington counts on this restraining effect.

On the question of how much bigness detracts from efficiency there is one little point which Mr. Roosevelt can hardly have overlooked. He himself is the head of the "biggest of the big." The United States government has a bigger income than any of the so-called big corporations. It spends more money. It has more employees. And it is getting bigger and bigger. The Navy will be 5,000 employees bigger within 8 months. The Army will be somewhere from 30,000 to 50,000 bigger before the present expansion reaches its limit. TVA has added a lot—will add more. In Washington what used to be called the Civil Service list—when there used to be a Civil Service list—has just reached an all-time high, if the World War days be excepted. And so on.

The fact that the government, also, may look too big for efficiency if you start measuring efficiency solely by size may be counted on. Not very heavily, but certainly a little. Mr. Roosevelt has a sense of humor.

Government Out of Industry

In calling a halt on TVA's plans to compete with private power, Judge Grubb has haled into court the whole Washington experimental laboratory.

THE broad issue of the right of the government to engage in business in competition, or cooperation, with private industry has been thrown into the legal arena at last by the decision of Judge W. I. Grubb of Birmingham in his ruling on TVA. Judge Grubb, who held NRA unconstitutional in a previous ruling, now declares that in its sale of TVA power the federal government stands as a proprietary utility, in that it is not merely disposing of surplus power but is manufacturing power with the intention of selling it. This throws in jeopardy the whole government power plan, including the Northwest developments as well as TVA, and reaches out to the St. Lawrence project, as yet not approved by the Senate.

TVA, and PWA with it, has announced that it will appeal. This means 6 months to a year of uncertainty, unless the case is put directly into the Supreme Court and is there expedited. New legislation may be enacted to take care of the flaws Judge Grubb finds (and which many lawyers think the highest court will also find). But, meanwhile, the order from Judge Grubb's court restricts TVA operations in the power selling field and puts a brake on its ambitions.

Agency Issue Involved

Many issues are involved. One is the use of an agency (in the case of TVA, a Delaware corporation) to do the utility business complained of by the preferred stockholders of the Alabama Power Co. who filed the suit. The Delaware corporation gave TVA very wide powers—wider, Judge Grubb holds, than the Act of Congress which authorized its creation. But other big federal projects are incorporated, the RFC, the Federal Housing Administration, and, to name but one more, the Mississippi Barge Corp., of much older vintage. The issue

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TWO VERSIONS—Senators Burton K. Wheeler (left) and William E. Borah may have put their heads together on the question of how to control "bigness" in business but they came out of the conference with different bills.

of "government in business" is thrown into question with a vengeance.

Judge Grubb based his decision on the Tenth Amendment to the Constitution. This amendment in full reads as follows:

"The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

Upon this amendment, all the protection of private business and state rights from federal government infringement depends. Alabama has recently specifically waived its rights to TVA in the matter of power development, but Judge Grubb holds that other states have not done so, and might not do so, and that the people as a whole did not waive *their* rights.

The plans of the Roosevelt Administration to widen government powers, and to set up, as in TVA, a "yardstick" for power sales, will depend on the final decision of this case. Meanwhile, TVA has subtly changed its emphasis, is talking and working more and more on navigation improvements, flood control, soil erosion prevention, reforestation, and rural betterments, and is piping down on power generation and "yardstick" talk. This has obviously been in preparation for Judge Grubb's decision. The work so limited will go on, but the power sales will, of necessity, slow up and the sales drive probably cease until the solution is reached.

Bathroom Invasion

An automotive parts maker going into plumbing ware again illustrates how old markets are disturbed when an industry begins to look for new ones.

OLD-LINE manufacturers of ceramic plumbing fixtures, worried for the past 2 years over the invasion of their market by makers of enameled steel sinks, have further troubles thrust upon them by the extension of steel-stamped designs into the field of bathtubs, lavatories, and allied articles. Sharpest competition is likely to come from the Briggs Manufacturing Co., Detroit, which about April 1 will have in operation its Hamtramck plant reequipped for production of enameled steel plumbing ware.

Briggs, originally an exclusive automobile parts maker, has been searching for several years for new products to engage the full capacity of its Detroit plants. It spent 1½ years and $100,000 developing a steel sink which, since early in 1933, it has been selling to the public through Sears, Roebuck (*BW—Apr5'33*). The new products, which it is about ready to announce, will have all the special advantages which the steel sink claims over its cast iron counterpart—made out of one piece of special crystal-etched sheet steel from the mills of the American Rolling Mill Co. and 65%-70% lighter in weight, thereby reducing handling, transportation, and installation costs.

Boasts Non-Skid Features

Other selling points for the new Briggs products are a use of color in design not possible in cast iron products, relative freedom from the danger of breakage and chipping, no extra charge for acid-resisting porcelain enamel. The accident hazard has been greatly reduced compared with the ordinary bathtub, with certain non-slippage features which will cheer the timid bather. For those who like art along with their bath, special designs in colors can be reproduced on the sides of tubs at slight additional cost. Then—and this worries the old-line makers no end—the steel products can be made cheaper than the cast iron products, will retail at lower prices.

The traditional channel through which ceramic plumbing fixtures have reached the householder is from manufacturer to plumbing jobber to plumbing contractor (retailer) to consumer. Kohler has stayed rigidly within these merchandising bounds. Crane and Standard Sanitary, the other 2 members of the Big 3, have had factory branches scattered around the country which sell direct to the plumbing contractor. At the same time they have sold to the jobber, though in a sense they are competing with him and hence have aroused his resentment. Briggs, confidently expecting that it will be able to make and sell in the next year $7 millions of steel plumbing ware (retail value), will count on plumbing jobbers and some 45,000 plumbers and steam and gas fitters to tap effectively the consumer market.

Has Big 3 Worried

Briggs' program, calling for mass production patterned after that in its automotive divisions, gives the Big 3 something to think about. They control at present what is variously estimated at 55% to 70% of the total. Heretofore, the enameled steel plumbing makers (Briggs and Youngstown Pressed Steel Co.) have confined their distribution to the mail-order houses. Now Briggs plumps right down into the Big 3's back yard by seeking business from plumbing contractors and working with architects and builders in their housing plans (both remodeling and new building). Price and ease of installation are probably the 2 major considerations in remodeling work, and in both the steel products have a distinct advantage.

Thus the sniping at the Big 3 has broadened into a general attack. The mail-order houses are in the fray for keeps. One company, which has experi-

International

DAM DAMMED—None of the power, other than genuine surplus, which will be generated at Norris Dam on its completion can ever be sold by the government if Judge Grubb is sustained in his TVA decision based on the Tenth Amendment: "Powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states, or to the people."


Acme

HISTORIC—This picture of Ernest T. Weir looking down on Senator Wagner made a *Business Week* cover when it seemed as though the steel executive and the chairman of the old National Labor Board had gotten together on the "Weirton Case." That was way back in October, 1933. Today, they are wide apart, Mr. Weir as victor in the famous Case—so far—and the Senator as author of a labor bill to put an end to such victories.

mented with pressed steel plumbing ware, is surveying the possibilities of beginning manufacture shortly and marketing its articles through large department stores. Steel mills, quick to sense a new important outlet for their sheet tonnage, are expected to cooperate heartily in the program of expansion.

Weirton Warning

Decision in "collective bargaining" case serves notice that 7-a doesn't do the labor unions' job.

THE "welfare clause" of the Constitution does not justify Section 7-a of NIRA—the very heart of the government's pro-labor legislation of the last 2 years. Therefore, the famous "collective bargaining" clause must depend solely on the powers of Congress to legislate regarding interstate commerce. And the manufacturing operations of the Weirton Steel Co. "do not constitute interstate commerce," the relations between that company and its employees do not "affect interstate commerce." Therefore, 7-a is "unauthorized and void" as it applies to Weirton—and, by implication, to almost any manufacturing plant.

Such is the essence of this week's startling anti-NRA decision on the famous Weirton Steel labor case which was handed down at Wilmington by Judge John P. Nields of the Federal District Court.

That case, which has hung over the legality not only of Section 7-a but of NIRA itself, must go on to the Supreme Court, which it may not reach for over a year. But, meanwhile, Judge Nields' decision has warned Congress that, in the revamping of NIRA, it had better find something clearer than the vague phrases of 7-a if it really wishes to insure to labor unions the right to organize industries over the protest of employers and of company union adherents.

While ruling 7-a out of intrastate commerce, the same decision upheld the company union, found that Weirton had not violated collective bargaining requirements through its company organization, said the government's charges of intimidation were unproved, cited the independence of attitude shown by the workers' representatives. And the judge went beyond that—

"It is said that this relation [between management and workers] involves the problem of an economic balance of the power of labor against the power of capital. The theory of a balance of power or of balancing opposing powers is based upon the assumption of an inevitable and necessary diversity of interest. This is the traditional old-world theory. It is not the 20th century American theory of that relation as dependent upon mutual interest, understanding and goodwill. The modern theory is embodied in the Weirton plan of employee organization."

The Weirton suit started in a battle over a plant election ordered by the old National Labor Board and an election conducted by Weirton (*BW—Dec 23'34*). The government suit sued for an injunction to restrain the company from interfering with its employees in selection of representatives for collective bargaining. But this suit was regarded by many as a definitive test of the A. F. of L.'s right—or, at least, of its power—to use 7-a and the labor boards to control collective bargaining machinery and to upset company unions. The result will have an important effect on similiar industrial rebellions against Labor Board elections—notably by the Goodrich and Firestone rubber companies—on plans to revamp NIRA, and on Congressional demands for "strong" labor legislation as embodied in the new Wagner Labor Relations Bill.

Sears—Park Ave.

Mail-order house has big ideas for display room in richest Manhattan.

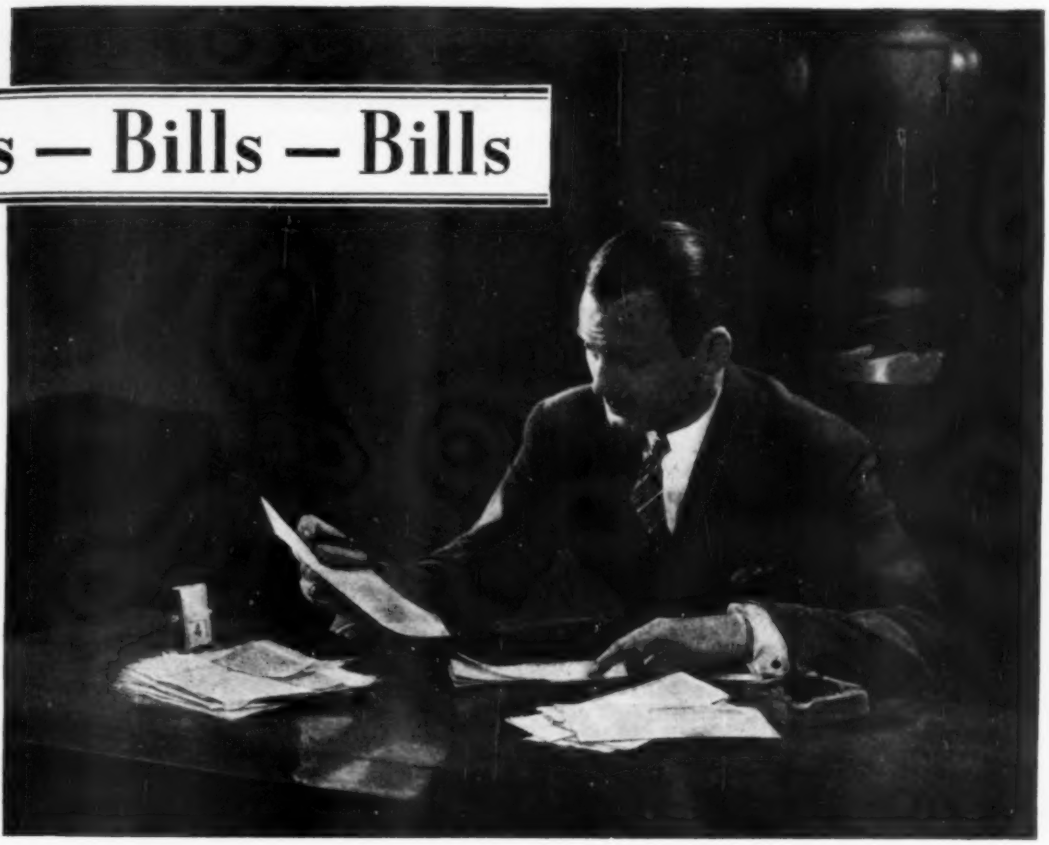
To all the world, Manhattan's Park Avenue means fashionable apartment houses, ritzy restaurants, salons that display foreign cars, shops that deal in Rajah's gems, costly cosmetics and perfumes. Hereafter, it is also going to mean Sears, Roebuck. The big mail order house is opening a display room in the Avenue's famed Hotel Delmonico.

Explanation: Major home appliances handled by Sears have outgrown the limits of catalogue selling, of even the trading area of its 420-odd stores, are bought, as one Sears official puts it, "on their merits by people who never saw either catalogues or stores."

The Park Avenues display room is to be used as a central exchange for promoting their sale in the world's richest market, with a sales staff trained to comb metropolitan New York for orders from individual buyers, apartment house owners, builders.

If it pays, similar display rooms in other large cities are predicted. There is an institutional angle. With millions of mail-order and store customers, thousands of stockholders, Sears might find such displays profitable as institutional good-will promotions, with actual sales profit just a welcome by-product.

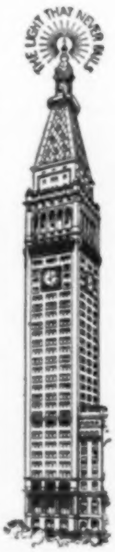
Bills — Bills — Bills



COULD your wife take care of those bills for rent, food, clothing, fuel, lighting and other necessities, if anything happened to you? Life Insurance will help you to answer this question with confidence. It will provide cash in amounts and at times specified by you.

Your program for paying the future bills of your family may require the use of one or more policies and forms of optional settlements. For example, after arranging a cash fund to take care of immediate obligations, you may wish to provide an income of $100 a month for twenty years and, in addition, a cash payment of $10,000 at the end of that time. Possibly, the needs of your family may require smaller or larger payments, with corresponding differences in cost.

A Metropolitan Field-Man will be glad to help you build a practical Program of Life Insurance which will give your family added security and enable it to face future bills unafraid. Send for him or mail the coupon.



The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Co.
1 Madison Ave., New York, N.Y. (W)

Without obligation, I would like to have information regarding the Family Protection Plan which will take care of bills.

Name ____________________

Address ____________________

City ____________ State ________

METROPOLITAN LIFE INSURANCE COMPANY

Frederick H. Ecker, President

One Madison Avenue, New York, N. Y.

Earnings—Headed Right

While manufacturing profits moved a little more slowly toward the 1929 mark last year, special ingenuity and special causes produced some record-breakers.

DESPITE increasing costs of labor and materials, the 1934 profit record is impressive. Manufacturing as a whole moved toward the 1929 goal a bit more slowly than in the previous year, but a 28% increase in profits over 1933 indicates that the industrial machine is headed in the right direction.

Most striking gains were apparent in construction materials, household equipment, publishing, paper products, industrial machinery, machine tools, and steel. In the latter case, the industry as a whole is still in the red, but the loss was substantially reduced through the increasing activity of motor, farm implement, refrigerator, and other miscellaneous industries.

Textiles Hardest Hit

Smallest gains last year occurred in food, telephone and telegraph, and oil industries, while actual decreases hit baking, leather, and textiles. In fact, textiles (alone among industrial groups) fared so much worse in 1934 than 1933 that the profit of its first year of recovery turned into a deficit the following year. But there was an outstanding exception. Oshkosh Overall Co., profiting by the needs of rehired mechanics, brought its 1934 profits 21% above the 1929 level.

Individual companies within each group varied strikingly from the composite picture *(BW—Feb9'35)*. In automobile manufacturing, General Motors dominated with its $94.8 millions profit; 2 smaller companies showed deficits. Among automotive parts and accessories companies, spectacular gains such as 235% for Motor Wheel, 275% for Modine Manufacturing, 436% for Ainsworth were offset by a 25% decline for Goodyear Tire and for Libbey-Owens-Ford Glass. Higher expenses and low prices affected both of the latter companies, despite a 25% increase in Goodyear sales, and a 41% increase in Libbey window glass sales.

Prices Check Food Profits

Rising food prices and severe competition prevented food suppliers from breaking any records last year. Among baking companies, 5 out of the 8 showed lower earnings, while the 3 smaller companies improved their position. In the food group, half the companies covered made smaller profits in 1934 than in 1933.

Eleven out of 14 chemical manufacturers increased their profits last year. Paint and varnish companies reflected the gains from the modernization drive. General Paint increased earnings 293%, making the best showing since 1929. Devoe & Raynolds declined 30% as costs and larger depreciation charges ate into the 9% larger sales. Nevertheless, earnings topped those of 1929.

Public works and modernization also account for the improvements among construction material producers. Cement companies cut their losses or turned them into profits; dredging companies did surprisingly well. So did shingle and roofing manufacturers.

Home Equipment Gains

The modernization influence extended into the home, as well as outside of it. Stoves, refrigerators, vacuum cleaners, radios sold in better volume, lifting earnings of Kalamazoo Stove, 114%; of Crosley Radio, 110%, with sales the best since 1930; of Eureka Vacuum Cleaner Corp., 222%, with a 62% increase in sales over 1933. Eureka earnings were the best since 1929.

In the heavier industries such as steel, machinery, metal products, and machine tools appeared some of the first profits in years. All 5 tool companies turned 1933 losses into 1934 profits. Farm implement makers went into the black with the rise in farm income. Allis-Chalmers had the best sales since 1931, cut its loss from $2.9 millions in 1933 to $1 million in 1934. National Steel, the star performer among steel companies with not a red figure on its books during the whole depression, stepped up profits 69% in 1933 and 115% more in 1934. In 2 years, Inland Steel turned a $3.3-million loss into a $3.7-million profit. Among tin can companies, Continental was the feature with a new all-time high in earnings. The 1929 peak was surpassed by a 19% margin. Bridgeport Brass profits were the best since 1929.

Leather Losses a Drag

The decline in the miscellaneous group; that can be laid to leather companies which suffered inventory losses with the appearance of drought hides, conceals some noteworthy performances. Underwood, Elliott Fisher (business machines) gained 72% in profits over 1933; Owens-Illinois Glass, in the black during the whole depression, topped 1929 earnings by 46%; Gillette Safety Razor gained 14% and General Printing ink 39% over 1933.

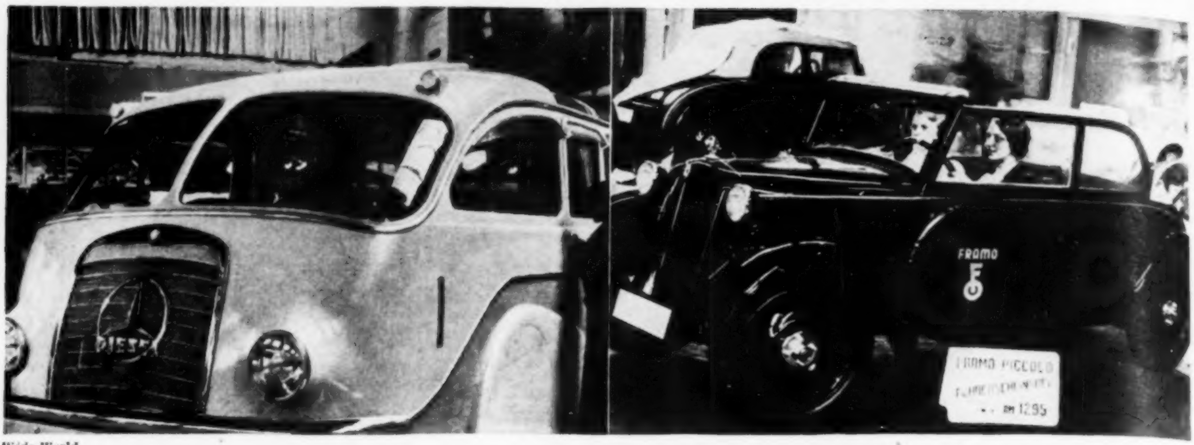
Better general business conditions were a boon to corrugated paper makers. Eddy Paper Corp. made the first profit since 1929; Detroit Paper Products lost money from 1929 through 1932, but went into the black in 1933 and 1934; while Consolidated Paper Co. exceeded 1929 by 165%.

Railway equipment makers as a group are still in the red, though less so than

Earnings—by Industries
(In thousands)

Industry	Number of Concerns	1933	1934	% Change
Automobiles	3	$80,448	$90,880	+ 13.0
Automotive Accessories	19	15,033	16,044	+ 6.7
Baking	8	22,513	17,618	— 21.7
Chemicals	14	50,101	61,175	+ 22.1
Construction Materials	13	1,510	6,588	+336.2
Drugs, Toilet Articles	9	33,392	40,317	+ 20.7
Food (Excluding Baking)	18	44,337	45,890	+ 3.5
Household Equipment	11	1,625	5,284	+225.1
Industrial Machinery	20	L 5,019	7,629	Loss to Profit
Iron and Steel	16	L49,034	L10,229	Loss Reduced
Machine Tools	5	L 371	619	Loss to Profit
Metal Products	7	29,461	37,180	+ 26.2
Mining (Non-ferrous)	6	L 3,736	L 1,267	Loss Reduced
Miscellaneous	19	23,556	21,005	— 10.8
Oil	7	15,845	16,760	+ 5.8
Paper Products	6	1,542	3,537	+129.4
Publishing	4	2,523	7,784	+208.5
Railway Equipment	8	L 7,762	L 4,747	Loss Reduced
Retail Merchandising	16	60,269	65,614	+ 8.9
Tobacco	7	27,668	33,404	+ 20.7
Textile Products	21	13,597	L 3,081	Profit to Loss
Total Industrials	237	$357,499	$458,004	+ 28.1
Railroads	30	L29,601	L27,385	Loss Reduced
Telephone and Telegraph	10	67,291	69,286	+ 3
Utilities	29	174,005	162,403	— 6.7

L—Loss



Wide World

BERLIN LIKED THEM—These were headliners at the spring automobile salon in the German capital. High cost of gasoline explains both the popularity of diesel engines in the heavy truck and bus class and the vogue of the small car in Europe. Hitler's long-heralded German-made "car for the little man," to retail at the German low of $500, was not ready for exhibit.

the year before. New York Air Brake made the first profit since 1930, though this reflects a diversification of products which permitted the company to draw on the motor industry for orders rather than lean on the railroads. Baldwin Locomotive reduced its loss last year, but 4 years of losses have brought the company to the point of seeking reorganization under Sec. 77-b of the National Bankruptcy Act. American Locomotive increased its loss.

The beneficial effects of the rising national income are most apparent in the retail field. Melville Shoe Corp., which fought the depression by opening more stores each year, attained the largest sales volume since 1929. Fishman's 5¢ to $1 stores, pursuing a similar policy, managed to exceed the 1930 sales volume by 68%, but earnings were off 13% from 1933. It is significant that both of these organizations represent low-priced goods.

Motor Report Backfires

Automobile makers find "fourth-grade arithmetic" good enough to overturn Henderson-Lubin figures.

"It is a source of amazement to this industry that, when there are such acute economic problems pressing for solution, the existing difficulties should be multiplied and the employees of the industry confused by an investigation the intended purpose of which must have been the clarification of problems. . . . The report cannot withstand the criticism of anybody who knows the facts. . . . The American Federation of Labor sought to make the investigation a means of promoting its organizing campaign."

With this vigorous language as an introduction, car manufacturers poured a barrage of facts and figures at the Henderson-Lubin report (*BW—Feb 16'35*) the past week, intended to riddle its conclusions, tear to tatters its tables, calculations and general assertions. The first withering fire took the form of a letter from the Automobile Manufacturers Association to S. Clay Williams, chairman of the National Industrial Recovery Board, the second a statement by William S. Knudsen, executive vice-president of General Motors and chairman of the manufacturers' committee of the AMA.

Outstanding points in the statement: Being one of the country's youngest industries, the motor car industry must necessarily show a younger distribution of ages than is true of other industries. Yet there are no data to prove that workers are discarded 10 to 20 years sooner than in other industries, as charged. In the year ended Sept. 1, 1934, one of the Big 3 had 129,564 factory employees on its payroll, of whom 31,093, or 24%, were over 40. Since the spring of 1934, workers have been hired and laid off in accordance with seniority standing, a condition prevailing in few industries.

Percentage of workers over 44 years of age on relief rolls was 48% in Detroit, near the same figure in other cities, despite the report's inference that people in Detroit on relief are in older age groups than in most cities. In fact, in the group over 55 years, the Detroit percentage (15%) is less than in other large cities.

Low annual incomes for automobile workers are partly due to spreading available work at insistence of the government. Such spread-work obviously reduces labor's earnings because more people are employed than required and because costs of production and selling prices rise and restrict the industry's volume of business. Hourly earnings at the close of 1934 were 76¢, whereas for all industry they were 59¢.

More Man-Hours per Body

The body of the average low-price car in 1929 took 38.4 man-hours to produce, in 1935 a trifle more than 40 man-hours. This would seem to upset the statement in the report that huge savings in man-power have been made in fabrication of the top and underbody.

Replacement of 150 men with an automatic polishing and buffing machine, as cited in the report, is untrue; "fourth-grade arithmetic" shows the saving to have been only 15 men; other similar errors occur in the report.

Moreover, "the industry need make no defense of labor-saving devices. The fruits of these devices make work lighter and are given to the public in the shape of cheaper motor cars or better motor cars for the same price, thereby creating greater new car sales and consequently greater employment."

In spite of the trend toward the low-price car, more man-hours were needed in 1934 to make the average automobile than in 1929 (*BW—Feb23'35*).

Right About Fall Models

The one correct conclusion in the report, about the advantage of changing the time of introducing models to the fall season, "the investigators took bodily from a report the manufacturers had made for themselves earlier and had let the investigators have."

Men in the factories alone, however, cannot level out the sales curve. "When the public wants cars, we should build them and furnish employment to the men. We cannot store many finished

cars, and we must make changes so as to give the customers the benefit of progress made in the engineering departments, where we spend millions of dollars a year, practically all for labor skilled and technical."

"Inaccurate, False, Careless"

As a parting shot, the AMA scathingly remarked: "A more elaborate and detailed analysis of the entire report would merely cumulate the evidence of its inaccuracies, faulty data, distortions of information, and careless interpretation of facts. It should be a source of profound regret to everyone concerned that a report, the avowed purpose of which was to improve the conditions of labor, should be so made as to lend itself to the promotion of strife and discord in the labor relations of an industry which to date has been relatively free from such disturbances. It would seem unnecessary to point out the seriousness of such a threat to an industry which is showing such marked signs of recovery on which the recovery program of the Administration itself depends."

Embittered private commentators in the industry add—among other things—that a study of month-to-month employment figures prior to the depression shows that automotive workers' incomes were reasonably stable, that it wasn't until the depression confused all production forecasting that violent fluctuations occurred. Greatest good, they say, can be accomplished by finding some practical means of anticipating future demand, setting up manufacturing programs accordingly—and, "until that is done, even adoption of all the Henderson ideas wouldn't do much good."

Green Counsels Peace

Meanwhile, A. F. of L. President Green has been on his travels through the automotive cities. In view of the public declarations of F. J. Dillon, his chief Detroit lieutenant ("nothing shall stop workers from carrying through plans for securing correction of their grievances through the only agency available to them"), Mr. Green's words in Detroit sounded strange. "We are not talking about pulling a strike. We haven't any plans for that. We think in terms of peace." But, added a Federation official after Green had returned to Washington, "not peace at any price."

Detroit's interpretation of Green's attitude: "window dressing" for the benefit of Mr. Roosevelt, being able to pose as having counseled against strikes in case any strike occurs later. But A. F. of L.'s national automobile council continues to confer in Detroit about possible demands to be made on key automobile plants. The olive branch extended cautiously by the A. F. of L. to the Mechanics Educational Society and other rival automobile unions for a possible union under the A. F. of L. banner was rejected by Matthew Smith, M.E.S.

national secretary. Smith said the question simmers down to the proposition, "Shall 7,000 tool and die makers agree to join the International Association of Machinists local (A. F. of L.), with less than 100 members?" Green says the A. F. of L. has 20,000 paid-up members in the automobile industry.

Freedom for Ford

New ruling on code compliance will permit Ford and Sears to bid on government contracts.

HENRY FORD apparently has been forgiven by President Roosevelt for flouting the Blue Eagle. For the President, it is generally assumed, prompted the left-handed invitation to Mr. Ford to compete on government business. Washington offers an interesting explanation of this overture to General Johnson's obdurate antagonist. It runs this way: President Roosevelt felt that the industry (as represented by the Automobile Manufacturers Association, the code sponsor) let him down in forcing the extension of the code as is and raising labor's back, so he was entirely willing to erase any blot on Mr. Ford's competitive status.

Comptroller-General McCarl's office is reported to be drafting a new ruling that will put a very indulgent interpretation on the President's executive order of Mar. 14, 1934, which required a certificate of code compliance from bidders. This not only will permit Mr. Ford to bid on 2500 trucks for which the War Department will advertise shortly, but also is expected to remove any embarrassment that Sears, Roebuck & Co. may have suffered in doing business with the government as a result of its inability to certify that all the wares it handles met code requirements.

Wide World

CONSUMER GUARDIAN — Mrs. Emily Newell Blair, Washington author and socialite who succeeds the late Mrs. Mary Harriman Rumsey as head of the Consumers' Advisory Board, lays plans for the continuation of CAB's work in the field of quality grading and in the attack on NRA's price-fixing, monopolistic tendencies. Under the general direction of Thomas C. Blaisdell, Jr., CAB's program will be more closely coordinated with that of the Consumers' Counsel of the AAA, now under the active management of Dr. Calvin B. Hoover, Tugwell associate who succeeds Dr. Frederic C. Howe as director.

Unions Stop at the Store Door

Cotillo decision distinguishes between industries in which services can be standardized and those in which "personal equation" enters; forbids picketing stores.

RETAILERS, particularly department and chain store operators, welcome the precedent-breaking decision handed down this week by Justice Salvatore A. Cotillo of the New York Supreme Court as a cheering rift in the clouds of threatened store unionization.

The case at issue involved R. A. Freed, Inc., a neighborhood department store in New York, and Local 107 of the Retail Cloak, Suit, Dress and Fur Sales Peoples' Union, an A. F. of L. organization affiliated through the Retail Clerks Protective Association, with the union nurturing a strike in some 300 New York stores of the James Butler Grocery Co. *(BW—Dec15'34)*. The specialty store union, Local 107, had been picketing Freed's ever since the strike was called 3 months ago, despite the fact that, according to the court, only 5 out of Freed's 150 employees belong to the union.

In his decision Justice Cotillo not only enjoined the union from "picketing about the plaintiff's store and coercion or intimidation directed against the employees, patrons, or other persons having relations with the plaintiff," but seized the opportunity to tell the unions just where he thought they belonged. If his decision stands, it may serve to check sharply labor's attempts to organize white collar workers.

The Justice held that "unionization of labor in its most effective form of the closed shop should be restricted to those fields in which the services of the employees have some degree of standardization, such as bricklayers, longshoremen, chauffeurs," that in the other so-called white collar classifications where "a personal equation would enter" workers cannot compel an employer to accede to a closed shop.

In rehearsing the reasons for this distinction and its application to retail employees, the Justice asserted that the regimentation and standardization resulting from the operation of a closed shop would (1) eliminate the retailer's right to select his workers—and indirectly the right of the public to control such selection, (2) act as a deterrent to the initiative of employees, (3) "tend to produce inefficiency in the character of the service, a loss of patronage, and consequent waste." Justice Cotillo held that "effective store operation depends in large measure on complete freedom and the flexible use of a diversified staff."

Having developed his thesis that the closed shop in retail stores would strangle all effort to maintain an efficient organization "for the purpose of satisfying the desires of the purchasing public," he proceeded to base his all-inclusive decision on the premise that the public must be considered first, the right of workers to organize for mutual advantage notwithstanding.

Hailing the decision as a new dispensation, retailers are for the moment not disturbed over the obvious intent of incensed labor leaders to appeal the case to higher courts. Characterizing the decision as "an outrage," Harry Nemser, attorney for the union, contends that any attempt to draw an artificial distinction between manual and white collar workers is "without reason either in logic or economics," that Justice Cotillo's attitude is at variance with Section 7-a and all principles of law.

Despite the turn of events, the grocery clerks' union has made no move to call off its strike in the Butler chain stores or to alter its plans to call out employees in the Daniel Reeves New York chain. Although labor leaders boast of an effective tie-up, Butler company officials proclaim "business as usual" with new employees hired to replace strikers. Whatever the future moves of the unions may be in their fight with chain and department stores, strike tactics which prevailed in the A&P Cleveland fight *(BW—Nov3, Nov10'34)* and in the Milwaukee Boston Store strike are apt to be materially modified—at least as long as the Cotillo decision stares labor leaders in the face.

New York's Transit Merger

Years of talk about unifying New York transit lines culminate in city planners' proposal to trade $185 millions of B-MT securities for tax-exempt city bonds.

AFTER years of toying with the idea of unifying New York City's elevated and subway systems under complete municipal ownership and operation (active negotiations were inaugurated in 1921), a plan for purchase of one of the 3 major properties is ready for submission to the city and to stockholders.

City planners hope for no "undue delay" in bringing this phase of their long dickering to conclusion. Independent transit and financial interests doubt that the goal is so near at hand.

The plan hinges upon a trading of tax-exempt obligations issued by the city and its proposed Board of Transit Control, which is to lease the properties from the city, for the outstanding bonds and stocks of the company. Those who doubt that the plan will work cite the recent Supreme Court decision which held that municipal ownership of Boston Elevated Railway did not make its bonds tax-exempt. City officials hope special state legislation setting up the Transit Board can attain for it immunity from federal taxes.

First Big Step

Involved in the "first big step" are the Brooklyn-Manhattan Transit properties in Brooklyn and Queens, including 165 miles of elevated and open-cut trackage but excluding surface and bus lines. Only Manhattan line included is the "Broadway" subway, already owned by the city but operated by B-MT, which carries 1.4 millions of New York's 6 million elevated and subway riders daily.

A figure of $185 millions has been agreed upon by representatives of the city and company. The city's Transit Board would assume $22.5 millions B-MT underlying bonds, would issue $77 millions of its own first mortgage, $40.5 millions of second mortgage bonds. Direct city bonds for $45 millions would round out the purchase price. These issues would be distributed, on a basis not yet disclosed, among holders of the company's securities: $90 millions of B-MT bonds, $7 millions of subsidiary bonds, 250,000 shares of preferred, and 700,000 shares of common stock. Without tax exemption, the new securities, bearing only 4¾% on the larger block of first mortgage bonds, 5½% on the seconds, would offer doubtful attraction to holders of the company's well-rated 6% bonds and $6 preferred shares. Owners of common stocks on which earnings have averaged around $7.50 annually, would receive an indicated $55 par amount of second mortgage bonds, yielding $3 annually, and would retain an equity in the company's residual lines. The latter however have not been able of late years to show a balance over preferred dividend requirements.

City planners draft their program on broad lines pointing toward the eventual acquisition by the same process of Interborough Rapid Transit, operator of city-owned subways in Manhattan and the Bronx, elevateds in Queens, and the privately owned Manhattan and Bronx elevateds of Manhattan Railway Company. On these properties city and companies are still far apart on prices.

Urgency on the city's part relates to the "3-year law" noose threatening future success of the Eighth Avenue subway, city-owned and operated. Under provisions of that law the "Independent" subway must become self-supporting within another year; this suggests a compulsory increase in the present 5¢ fare. With the line barely covering operating expenses and returning practically nothing on the $700-odd millions investment, a self-sustaining fare threatens to lead to abandonment of the line if attempted at the present stage of partial development in its traffic. Merging its operations with the older lines would provide a convenient solution.

Noise Record

As bus replaces street car, New York preserves its roar for a quieter posterity.

THE noises of New York have been embalmed against the day—perhaps 25 years hence—when the city's war may be subdued to the quaint charm that has been preserved in Hogarth's "Cries of London." In the cornerstone of the new home of the American Foundation for the Blind has been sealed a record made of current street noises, engraved on copper and with a cadmium-plated pickup enclosed.

The leaders of the drive against unnecessary noise celebrated the passing of the world's oldest street car line, on Madison Ave., New York, on Feb. 1, by recording the noise of the street car and that of the bus which took its place. The car achieved 90 decibels, the bus 60—so there is still some way to go before the copper disc in the cornerstone becomes a museum piece.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

THE Crane Co. has begun to market a new line of "Crane 18-8" chrome nickel alloy sanitary fittings to meet the demands of food and other manufacturers for completely sanitary piping. The new fittings are designed to eliminate "pockets," are readily mounted or demounted, will facilitate hand or mechanical cleaning of the line, are sold as immune to corrosion by practically any cooked or prepared food products.

IN the new type "PO-SJ Special" all-rubber lamp cord developed by General Electric Co. the easily frayed and soon-unsightly silk or cotton covering is entirely eliminated. Attractive appearance is obtained by a series of ridges, molded into the outer surface. It comes in the 4 most frequently used colors—ivory, olive, brown and black, is already approved by the Underwriters Laboratories for use on lamps, clocks, radios, other infrequently moved appliances.

FOR scientifically accurate mixing of enamels, asphalts, abrasives, glass, sand and other dry or plastic materials the C. O. Bartlett & Snow Co. now offers the Lancaster mixer, which is claimed to produce uniform batches in one-half to one-fourth the time ordinarily required and at corresponding reductions in cost, the line including units from laboratory size up to 36-cu.ft. capacities.

JOHNS-MANVILLE CORP. has launched a special sales campaign, designed to boost business for the building trades by showing home-owners how to take advantage of the Federal Housing Act. Some 11,000 dealers and contractors are expected to cooperate. The plan involves mass-distribution of a new book with "101 Practical Suggestions for Home Improvement." Technique by which home-owner and dealer interest is to be cultivated is the result of 1934 tests which brought 290,000 requests for a similar but smaller book and 90,000 calls for a salesman in 13 weeks.

SHEPHERD LAUNDRIES CO. offers a new device for reblocking ladies' garments which, in returning them to original size, is advertised to stretch or shrink their length up to 9 in., and alter other dimensions up to 6 in. It employs steam to do the job.

A NEW folding safety signal is made by Martindale Electric Co. for warning motorists of temporary obstructions, detours, etc. It is supplied with interchangeable snap-on signs, opens and closes automatically, fits standard tool boxes.

Oil Control Revived

Connally Bill seeks to reestablish the federal tender board which cut hot oil production until the Supreme Court declared NIRA's oil control section invalid.

CONGRESS has passed the Connally Hot Oil Bill, hopeful but not altogether sure that the Supreme Court will find it free from unconstitutionalities. It is designed to correct the ragged job done on 9-c of the National Industrial Recovery Act, declared invalid (*BW—Jan12'35*) because it sought to confer on the President powers belonging to Congress.

The new bill will empower Oil-Administrator-Interior-Secretary Ickes to reestablish the federal tender board. By requiring authority for interstate movement, this board cut (from 100,000 bbl. daily to 10,000 bbl.) the illicit gushings of East Texas wells, which threatened a price collapse. ("Hot oil" is outlaw production sneaked onto the market in excess of established quotas.) In the interlude since the Supreme Court decision, Texas attacked the hot oil situation with a state tender system. But its grip was slipping and the flow was again at dangerous proportions. Officials of big oil companies will sleep less fitfully when federal tenders are once more in force. East Texas, whose interest is cashing in the greatest possible production, will think up new names to call the embattled Ickes.

There's Still a Doubt

Under the new bill, interstate shipment of hot oil (called by the more dignified "contraband oil") is flatly prohibited. The President gets authority to lift the ban if production and demand get out of kilter. It is this last provision that Congress doubts. Trouble with the 9-c was that it gave the President powers so broad as to become legislative; possibility of another adverse decision for the same reason is neatly dodged. The bill provides that if the second provision (authority to gauge production by demand) is declared invalid, such a decision is not to affect validity of the section on absolute prohibition. Confidence in this artful device was increased by a blessing from Senator Borah, a ruthless watchdog on constitutional detail. Life of the measure is to June, 1937.

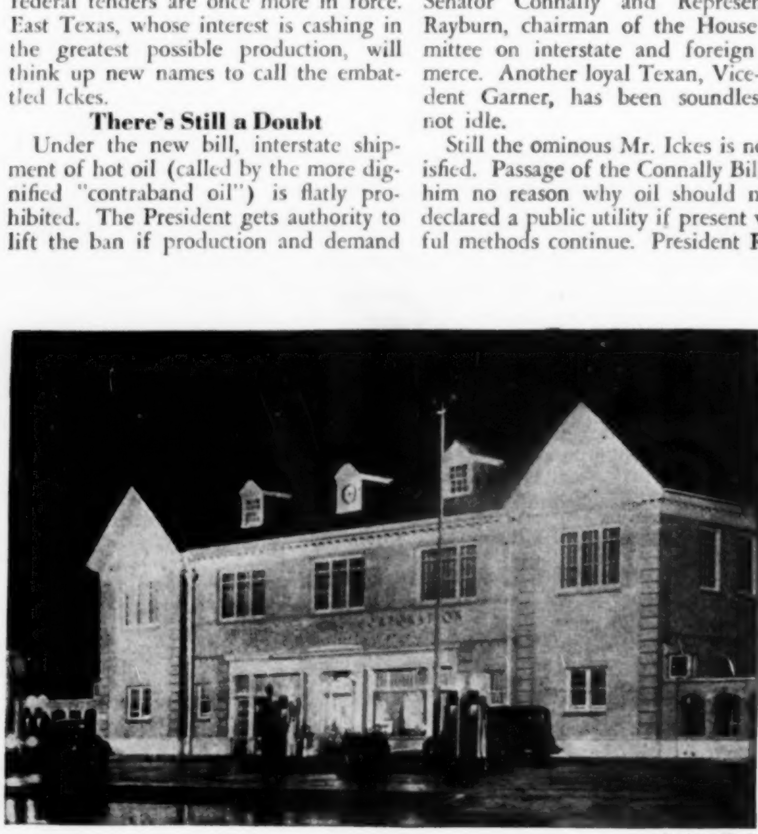
Texas Resents Interference

In spite of propaganda protests from Texas against the Connally Bill, it is actually another Lone Star victory. It stops the federal government dead at the state line. Texas is firm against Uncle Sam's shouldering into its affairs, particularly in oil matters. To date such invasions have been shrewdly parried by a smart congressional band headed by Senator Connally and Representative Rayburn, chairman of the House committee on interstate and foreign commerce. Another loyal Texan, Vice-President Garner, has been soundless but not idle.

Still the ominous Mr. Ickes is not satisfied. Passage of the Connally Bill is to him no reason why oil should not be declared a public utility if present wasteful methods continue. President Roosevelt touched on the subject at a recent press conference. This may be a skirmishing move for more drastic Administration legislation. Already Representative Disney (from the oil state of Oklahoma) has drafted a bill to hold domestic production down to home consumption and export demand. Mr. Ickes would be ex-officio chairman of a board to sit on the lid. He states bluntly that some bill for federal regulation of oil output will be introduced at this session of Congress.

Something to Worry About

Meanwhile, a statement issued by the American Institute of Mining and Metallurgical Engineers reminds us there is cause to worry about exhaustion of our petroleum resources. It says that world production for 1934 reached an all-time record of 1,553 million bbl. The United States share was 909,350,000 bbl., which was exceeded only by the 1,007,323,000 bbl. peak of 1929. Despite attempts at control, 3,700 additional wells were drilled in East Texas alone. Hot oil estimate for 1934 runs as high as 40 million bbl. The public should not be lulled by reassuring statements of remaining supplies figured on "well potentials." Such ratings are "commonly based" on the operation of the wells for a period of a few minutes. "In many cases, no subsequent well tests have been made, and the initial, exaggerated capacity continues to be used though engineers realize that normally capacity of a well declines rapidly."



Business Week

AIR-CONDITIONED COMFORT—Socony-Vacuum introduces St. Louis to the air-conditioned service station—one of the first in the country. Atmosphere of the neighborhood is respected by hiding service facilities behind a "garden" wall.

Oil Rule Row

Ickes seeks to make oil companies responsible for employees at leased service stations.

OIL ADMINISTRATOR ICKES continues to exercise an incomparable genius for making people angry. In a recent *Saturday Evening Post* article he tossed at the petroleum industry every verbal dornick he could lay hand to. As if he wanted to be sure to keep that unpacific business in a state of hopping fury, he followed through with a highly irritating labor ruling. It declares that the supplying oil company is responsible for employees of retail filling stations in cases where it controls operation of such stations.

The action approves the definition of the Petroleum Administrative Board and the Petroleum Labor Policy Board which held that under such conditions, the operator of the filling stations and his employees are employees of the supplying corporation. This is a rejection of the Planning and Coordination Committee's definition of an employee, and an attempt to make the supplying company responsible for code wages and hours at its leased stations.

The big companies have accepted code

wages and hours at retail outlets wholly owned by them. Most chiseling occurs in the leased classification. Formerly the lease and agency system was common. Under it, the supplying company leased the service station and made its operator agent for the sale of the company's brands. As chain taxes began to move in on gasoline stations, the supplying companies dodged by shifting more and more to the lease and license system. Under it, the supplying company leases the station as before but, instead of making the operator an agent, it sells him a license. Cost of the license is then wiped out by payments for the lease and by commission payments.

Oil men say the Ickes order seeks to force the supplying company to control conditions of labor at service stations when no other phase of operation is under its control. End of the argument is not yet. Widespread disregard of the order is expected. Should Mr. Ickes go into court oil lawyers are confident his definition will not stand up.

State Price Control

Wisconsin sets retail gasoline prices at the request of the industry, which saw trouble ahead.

WISCONSIN has met the threat of a gasoline price war with characteristic vigor. An order of the state's department of markets sets retail gas prices in its borders. The move resulted from demands of the industry, which was threatened by a collapse of retail price structures. Last October the department made a similar move to forestall price bloodshed in Milwaukee county.

The action puts the power of the state behind the federal oil code, since violation of the code becomes a violation of the market department's order. Expiration of the order is June 30, date of the oil code's end. It is hoped that the industry will utilize the interlude of guaranteed margins and established discounts to iron out its market difficulties.

A minimum spread of 5¢ is fixed between retail and tank car price above freight, state and federal taxes. This 5¢ is split 65% to retailers, 35% to jobbers. Minimum retail prices will be about 0.2¢ under the previous normal. These regulations follow in general suggestions of the industry. Dealers were favored by the fixing of 50 gallons as minimum delivery on which consumers may get the tank wagon price; 25 gallons is the usual Mid-West minimum for this privilege.

Some companies have threatened legal action against the provision abolishing all signs advertising prices beyond the required posting on the pumps. Subsequent hearings are expected to overcome such minor objections.

Textile Spending

Though textile industry sold less goods last year, it bought more machinery than in 1933.

In the face of a decline from 1933's production the textile industry went out in 1934 and spent 12% more for machinery than in 1933.

Textile World, whose study for the past 6 years has clicked closely with final figures, shows the following percentage trend in dollar volume of machinery purchased through that period:

1929 (as base)	100	1932	39
1930	67	1933	56
1931	57	1934	63

Working these data back to the Census of Manufactures would indicate $67 millions of textile machinery sales for 1934, as compared with $60 millions in 1933. Biggest gain was in knitting machinery, 29% over 1933; lowest was in the preparatory, spinning and weaving, bleaching, dyeing and finishing group, which registered 6% over 1933.

Sign of Health

In view of the fact that the production curve was down, all of this is taken to mean that the 1934 textile machinery purchases were normal replacements for wornout or obsolete equipment—the healthiest kind of machinery prosperity. Incidentally, about three-quarters of the answers to *Textile World's* questionnaires on the trend were optimistic regarding 1935, 7% pessimistic, and 21% on the fence—which looks like a fair cross-section of the feeling of American industry as a whole.

Production reports of the textile industry for 1934 show a sharp drop from the high of 1933 and a fair rise from the low of 1932. Based on 1923-25 as 100, the figures are:

1929	115	1932	83
1930	89	1933	104
1931	93	1934	89

Taking the fibers individually, wool and silk exchanged the roles they had played in 1933. In that year, wool consumption increased 35% and silk consumption decreased 15% from the 1932 level. Last year, wool consumption took a drop of 22%, while silk gave the best performance of any of the textile fibers, declining only 1½% from 1933. Cotton was off 14%, and rayon 4%.

Home Show

Motor caravan will leave Washington in April to carry a test sales campaign to consumers.

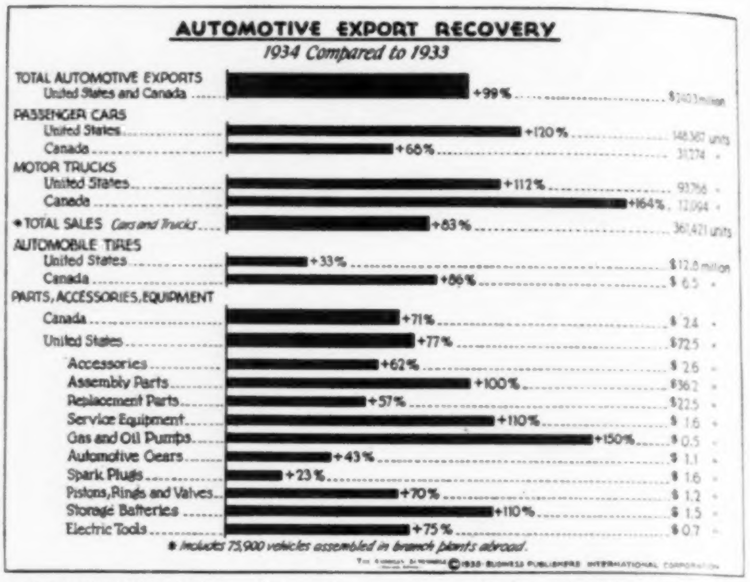
Showmanship will be added to salesmanship in the novel plan of the Home Improvement Caravan Corp. to dramatize the sales story of household equip-

ment and material companies. About the middle of April, a column of special motor display coaches will leave Washington to stage selling campaigns in hundreds of Atlantic Coast towns, mostly under 150,000 population. Results from the first caravan will determine whether others are to be organized. Some of the larger companies participating are Johns-Manville, General Electric, Westinghouse, American Radiator, Standard Sanitary, Crane, Sherwin-Williams, Weyerhaeuser. Others are expected to join the parade before the first horn blows.

Circus Technique

The technique of the show, as well as preliminary promotion, suggests the grand days of the American circus. Five advance units will arrive in each town before the caravan to whip up anticipatory interest. They will cooperate with retailers, Federal Housing Administration committees, business, professional, civic, religious and women's organizations. Publicity and preliminary advertising will be planted strategically.

A fleet manager will accompany this rubber-tired exposition. The grand climax of advertising and promotion will open the big show. "On the lot," the coaches will be parked together about an administration unit. Marquees will connect them to guard the public from spring showers. As protection against riff-raff and curious kids, admission will be by tickets from dealers. Otherwise, a small admission will be charged, the proceeds going to local charities. The sales coaches will be specially designed trailers. It is hoped that every room in the home will be represented before the caravan starts.



BACK IN HIGH GEAR—Automotive exports are back to the 1000-per-day average of the last 16 years. Average wholesale price per export unit was $505 in 1933, jumped 7% to $540 in 1934. Units sold abroad more than doubled during the year, gave 1934 the highest percentage gain over any previous year. Australia and Argentina were big markets for American cars last year.

With Benefit of 77-b

Debt-relieving device of New Deal bankruptcy amendment is proving its cleanup value.

Baldwin Locomotive going into court "to revise its capital structure," and Studebaker coming out, focus attention on the debt-relieving device of the New Deal that has done more good than any other and received less credit—good old Section 77-b of the National Bankruptcy Law *(BW—Jun30'34)*. Added as a postscript, defeated upon first presentation in 1933, finally enacted in June, 1934, to give general corporations the benefit of an easier bankruptcy procedure originally limited to municipalities, railroads, farms, individuals, it is the one phase of the Bankruptcy Amendments that has been used extensively.

Some 50 major companies and lesser corporation lights by hundreds, have resorted to the new machinery for reorganization which avoids the stigma of "bankruptcy," forces the will of the majority upon recalcitrant minorities, minimizes disruption of routine business operations.

Included are companies long in litigation for which the old 1898 Act could provide no ready solution. Others, which were merely embarrassed and would have struggled along unwilling to plead insolvency, as necessary under the old law, have hastened to throw their problems upon the court under 77-b, get their debts scaled down to reasonable proportions, the road cleared for full-speed operations when better business comes along.

Studebaker promises to be the first major company to come through the mill. Its plan, confirmed Jan. 28, is about ready for consummation.

Studebaker will come out of reorganization with debt scaled from $20.3 millions to $6.9 millions, with one-half the 6% interest deferred during the first 3 years, no preferred stock, and 2,138,299 shares of common, or about the same equity capitalization as before. It will have acquired $5.5 millions additional cash to give it net quick assets of $10 millions, cut its plant account from $50 millions to $15 millions, depreciation charges accordingly, and provided a $4-million reserve for modernization of its plant layout.

The rebuilt Studebaker will be out of the court's hands within 4 months after reorganization was proposed under 77-b. It had been in equity receivership 20 months before that, and its original difficulties arose because a small minority group of stockholders had blocked a consolidation with White Motor Co., a privilege that would have been denied them had 77-b been available at the time.

Baldwin has $59 millions in assets, only $22 millions in liabilities, is certainly solvent, but has only $712,638 cash on hand and $1,438,566 of interest and sinking fund payments to make within the year.

Under the more rigid provisions of the old law it would have had 3 courses open. It could have paid out half its cash to meet interest due Mar. 10, hoping to skimp through the rest of the year, or until a turn for the better came. It could have petitioned for an equity receivership, depending upon whipping up a reorganization plan acceptable to 99.4% of creditors and security holders. It could have pleaded bankruptcy and gone into liquidation.

Easy Solution

Under 77-b, it submits to the court's control, expects to issue "certificates" to get working capital while reorganization acceptable to two-thirds of its creditors, a majority of its stockholders, can be formulated.

Even the hard-to-please lawyers give their blessing to 77-b, asking for nothing more than clarification of the language here and there.

Motor Pickup

Survey of automobile production, use, and sales volume reveals a worldwide improvement.

WHEN better sales are made, the automobile industry will make them. As it is in the United States, so in other countries. An annual survey on world production, sales and use of motor cars just completed by the *American Automobile (Overseas Edition)* discloses a comeback that no other business has enjoyed.

During 1934 world use of automobiles, trucks, buses increased over 1½ millions; a gain of 4.7%. The total stands at 35 millions. It almost reaches the all-time peak of 1931. New records have been established for the future to shoot at. One is registration for countries other than the United States, which at the first of the year was 10,175,000—a 6.5% increase.

More Foreign Cars

Plants outside the United States and Canada produced more cars than ever before. Their output was 803,600, which is 20% above the previous high attained in 1933. Credit for this expansion goes principally to England, Germany and Russia. Respective gains over 1933 were 66,000, 40,000, 46,000.

On a percentage basis these achievements are impressive. Compared to American figures they merely emphasize the fact that our motor makers are still far ahead of rivals, that this leadership is in no discernible danger. American-Canadian production of cars and trucks last year rose 46% to 2,895,000—or 3½ times that of the rest of the world. It is the best figure since 1930. Automobiles in use in this country now number 24,751,000—or over 2¼ times the rest of the world. After 3 years of declines, this total is well above the high registration of 1929. (But it is still well under the all-time peak of 26,690,000 in 1931.)

Export Gains

Comparatively, our foreign sales fared even better. Exports of cars, tires, other automotive products from United States-Canadian plants was 99% above last year. To many countries shipments were greater than during any year since 1929. Total exports rose once more to the 16-year average of about 1,000 cars daily. Total (361,421) was higher than any year since 1930.

Replacement figures are impressive. Some 1.2 million automobiles were sold in countries other than the United States during 1934. Estimated net gain is about half that number. As times grew better, thousands of older cars were put into circulation once more. These vehicles aren't getting any younger. A logical conclusion is that the Chinese, South African, Argentinean will do exactly what the American does—buy a new model as soon as his purse permits.

Tin Trouble

London thinks tin is involved in the "commodity scandals"; Washington insists pool-controlled price is unreasonably high; combination starts price toboggan.

AFTER months of comparative stability, the price of tin in New York has fallen about 10% in the last few weeks. Declines in the last 5 days have been especially drastic. From a recent high of about 52¢ a pound, tin has dropped to 47¢. How much further it will go is a question, but there are authorities who will not be surprised if it goes below 40¢ before the market is steadied.

Three factors are blamed for the precipitate drop. Outstanding, probably, is the upset in the London commodity market caused by the failure of several large brokerage houses following the unsuccessful pool operations in white pepper *(BW—Feb9'35)*. Shellac operators were saved only by the prompt action of several banks. One of the houses involved in the pepper pool was forced to dump about 1,500 tons of tin on the market for quick cash. The International Tin Committee felt forced to take it up to support an already thin market. Then the question arose in the House of Commons whether there was not also some "gambling" in tin. International Pool authorities denied this, but nerves in Mincing Lane and in the Metal Exchange are on edge and everyone is jumpy. Tin closed in London one day at £228 a ton. One week later it was being offered at £217.

American Disturbances

Washington and New York provided the other two unsettling factors. The United States produces no tin of any consequence, but consumes more than half of the world's production. Consumers became alarmed at the end of 1933 when the price of tin skyrocketed in less than 6 months from about 23¢ to more than 50¢. Though the International Pool had been organized and operating for more than a year, it was the spurt in consumption in 1933 which gave meaning to its efforts. Through all of 1934 the price ranged roughly between 52¢ and 56¢, the pool holding it within this narrow range. But in 1934, consumption was smaller than in 1933. The market had discovered that recovery was going to be no overnight affair, and stocks of finished products in this country were adequate to cover any sudden spurt in buying. So purchases declined. The Pool began to get a bit nervous.

Then Sam McReynolds, chairman of the House Foreign Affairs Committee, let it out that Congress would soon have its report on this country's dependence on outside supplies of tin, not only for shells in time of war, but for such important industries as automobiles and food canning. Whether the report of the interview was garbled or not, it is no secret that Congress thinks the British—with their fingers on more than half the tin resources in the world—have a stranglehold on the market, that they have run the price up to an unreasonable level, and that they may carry it higher unless something is done.

At any rate, it is rumored from Washington that Congress may embargo tin scrap exports, may ask for a fund to exploit the 2 questionable tin fields—in North Carolina and South Dakota—and surely will recommend an appropriation for research in tin substitutes. London got wind of this suggestion just when the market was wavering. The combination of an investigation in London, a drive for substitutes in the United States, and a temporary slackening of demand started the toboggan.

Tin was selling in New York at slightly less than 23½¢ in April, 1931, when the International Tin Committee first got together to plan restriction and market control. Despite its efforts, drastically curtailed demand in 1932 pushed the price down to about 18¢. Revived consumption in 1933, plus the control plan, pulled the price up to 56¢, made the average for the year about 40¢. Average for 1934 was above 52¢. Visible supplies now total about 21,000 tons (including Pool holdings), compared with 51,300 tons when the Pool was organized in 1931.

The United Kingdom, Malaya, Nigeria, Netherland East Indies, Siam, Bolivia, French Indo-China, and Portugal are members of the Pool. Britain, with the Malayan deposits and long-standing cooperation from Bolivia, and Holland with extensive operations in the East Indies, obviously dominate it.

British Are Indignant

London is genuinely concerned over the commodity scandals and the spirited demands from the public for an investigation, including tin. Parliament's reluctance to accede to these demands has done more in the last 2 weeks to rouse the public than anything that has happened recently. The commodity tangle may yet grow into Britain's version of the Stavisky affair in France.

It is the attiude of Washington and New York, however, that the tin trade is following most closely. The United States can make or break the tin market. It broke the Stevenson rubber restriction scheme nearly 10 years ago, and the situations are similar: Britain and Holland in that case also dominated sources of supply, and the United States again was a major consumer. In the case of rubber, it was the selfish demands of the producers who shot prices to unconscionable levels which broke the

Keystone

SILVER BARS AMONG THE GOLD—Roosevelt's silver-buying program has caused a steady flow of the metal from the big world market in London. Here's a consignment of silver arriving at Plymouth for shipment to New York on the American liner, *S. S. Manhattan*. Express liners have earned handsome sums in the last 3 years shuttling gold and silver across the north Atlantic.

scheme. Major consumers resorted to reclamation of old rubber and succeeded to an unexpected degree in meeting their own demands. And natives not in the scheme rushed production which suddenly returned them a handsome profit. Tin production is so closely controlled that bootleg output probably will not jeopardize the plan, but the use of substitutes and reclaimed scrap, plus a possible federal subsidy for large-scale tin smelting here may again force a producing monopoly into line. Latest rumor is that the 8,000 tons held by the London Pool is to be shipped here shortly. It is believed that this move is being made to quiet the nerves of American consumers.

Metal authorities are watching the situation closely. No major restriction scheme and artificial price control project has ever long succeeded on a world scale. Perhaps the failure of the first scheme has tempered the present rubber plan, which is just now working more or less successfully *(BW—Feb23'35)*. World copper interests are trying to agree on some scheme to curtail production and control price. Many have pointed to the Tin Pool as a sample. It may yet be the warning to abandon any project for artificial price control.

Copper Coup

Phelps Dodge gains control of United Verde, sells National Electric Products subsidiary.

CONFIRMING long-standing rumors, the Phelps Dodge group last week moved into control of the United Verde Mining Co. with the election of 4 of its chief officers to the United Verde board of directors; Louis S. Cates, organizing genius of the Phelps Dodge Corp., was elected president of United Verde. Thus, the Phelps Dodge group has stepped into second place in the country's domestic copper field, with 236,000 tons annual rated capacity, exceeded by Kennecott, with 366,000 tons, followed by Anaconda with 225,000.

This news somewhat obscured an item of possibly even wider significance; the sale by Phelps Dodge of its subsidiary, National Electric Products Corp., to W. C. Robinson, and his associates, operating heads of this big conduit and cable manufacturing company. National was acquired by Phelps Dodge some years ago when all the big copper companies were scrambling for sure outlets. Trade observers believe National was originally bought to obtain control of its subsidiary Habirshaw Cable & Wire Corp., which controls basic rubber insulated wire patents. In the split-up, Phelps Dodge retains Habirshaw, along with its other wire-spinning and copper-fabricating units.

Commodity "Reflation"

Where commodity prices have rebounded from the depression bottom it's mostly on hopes and fears, rather than on depletion of stocks; few scarcities exist.

THE "commodity recovery," the talk of "new highs" in commodity prices, has led to exaggerated ideas of the situation in the commodity markets. As a matter of fact, the long upward climb of commodity prices over the last 2 years, spectacular on some items, inconsequential on others, is no more than a rebound from subnormal levels that prevailed during the trough of the depression. Current levels are notable only in relation to those low points which were sprinkled over a period from midsummer, 1932, to the early part of 1933.

Reflation is truly descriptive of the price development. And it has been predicated upon revived consumption, anticipatory buying; not upon curtailment of stocks to date. The accompanying tabulation of prices on major commodities, with its comparison of current stocks on hand against those held when prices were scraping bottom, emphasizes that actual inventories of many of the primary goods are higher today than at the price bottom.

Shelves Are Cleared

The pickup in consumption and prospective or real restrictions on production have transformed most of these inventories from troublesome surpluses to comfortable reserves. Rubber, as an example, was a drug on the market in June, 1932, when tire production was low, crude rubber production high, and stocks had been accumulating since 1928. In contrast, current consumption is running at new high levels, rigid production controls promise to hold down new supplies. Inventories, unchanged quantitatively, are worth almost 5 times as much in dollars and cents as in 1932 and are the principal protection of the tire manufacturers and users against arbitrary prices set by producers of these items.

Rubber's price advance has been greatest, although still short of the restriction plan's goal *(BW—Feb23'35)*. Next is that of crude oil, with current prices 240% higher than in May, 1933, thanks to the code, not to any actual reduction in stocks, since these are still within 3% of the 1933 figure.

Prices Have Doubled

Cotton, wool, hides, gasoline, wheat flour, butter, tobacco, all have more than doubled in price, yet none can be called high in price. Stocks on hand have actually increased in every instance except for wheat and butter, both of which are scarcities at present.

Cotton stocks are not far from normal but present a problem because the staple is not moving into world trade channels as fast as usual. On other textile materials, silk and rayon inventories are relatively light, wool is plentiful but threatens to become scarce unless sheep population is replenished.

Livestock products, meats, hides, leather, present the paradox of current abundance with higher prices—predicated upon curtailed production. Stocks reflect heavy slaughtering over the last year which filled refrigerators but depopulated the farms.

Copper is the outstanding instance where developments are working on both stocks and prices. Strict control by code authorities of both prices and production has worked with so much success that world copper interests contemplate international restrictions on similar lines.

Commodity Prices and Stocks

Commodity	Wholesale Prices and Change from Depression Low			Stocks and Change from Total at Time of Price Bottom		
	Unit	Current	% Change	Unit	Current	% Change
Rubber	lb.	$.129	+377.8	long ton	341,224	*
Cotton	lb.	.127	+139.6	bale	10,158,000	+19.9
Wool	lb.	.76	+111.1	lb.	164,115,000	†
Silk	lb.	1.45	+ 22.9	bale	66,146	+ 3.3
Rayon	lb.	.57	+ 14.0	lb.	264,000	+ 4.3
Hides	lb.	.110	+155.8	number	7,105,000	+67.8
Leather	sq.ft.	.307	+ 31.8	number	17,893,000	+19.4
Copper	lb.	.088	+ 83.3	short ton	284,000	—43.4
Pig Iron	long ton	18.94	+ 29.0	....	....	.....
Steel	long ton	27.00	+ 3.8	....	....	.....
Cement	bbl.	1.650	+ 26.0	bbl.	21,421,000	— 3.6
Coal: Anthracite	short ton	9.847	+ 8.4	short ton	2,269,000	+94.8
Bituminous	short ton	4.190	+ 19.8	short ton	34,440,000	+49.9
Crude Petroleum	bbl.	.940	+240.6	bbl.	337,085,000	— 3.2
Gasoline	gal.	.046	+100.0	bbl.	28,887,000	—16.6
Wheat	bu.	1.04	+147.6	bu.	134,935,000	— 8.3
Flour	bbl.	5.85	+112.7	bbl.	5,629,000	+14.8
Meat: Beef and Veal	lb.	.126	+ 53.7	lb.	141,186,000	+78.3
Pork	lb.	.161	+ 50.5	lb.	690,862,000	+20.1
Butter	lb.	.34	+100.0	lb.	18,984,000	—77.5
Sugar	lb.	.029	+ 11.5	long ton	718,953	+39.8
Tobacco	lb.	.175	+173.0	lb.	2,223,000,000	+ 5.9

*No change. †No comparable figure available.

Follow-Ups

When the news broke, *Business Week* told the story. Later developments add these postscripts.

SPIKING rumors that the Denver & Salt Lake (Moffat) Railway would be tax exempt since the Reconstruction Finance Corporation has taken over active control *(BW—Feb2'35)*, RFC Chairman Jesse H. Jones last week denied that the road belonged to the government, asserted unequivocally that all 1935 taxes, amounting to about $158,000, would be paid in full. Judge Wilson McCarthy, who was named president of the road when the RFC registered in its own name the 50,000 shares of D.&S.L. stock put up by the Denver & Rio Grande Western as collateral on its RFC loans, concurred in his chief's judgment, opined that if the D.&S.L. were not to pay taxes many schools along the line would be forced to close.

"TO MEET the need for consistent checking of material submitted for broadcast" *(BW—Feb9'35)*, the National Broadcasting Co. last week announced the creation of a new Department of Continuity Acceptance, the appointment of Miss Janet MacRorie as its head. She will be charged with seeing that all continuities meet NBC standards of "ethical advertising, common sense, and good taste."

TRIMMING the appropriation of $¼ million, which it voted last year, down to $150,000, the Senate this week passed the Wheeler joint resolution authorizing an investigation by the Federal Trade Commission of costs, profits, and monopolistic control in the field of food distribution *(BW—Feb16'35)*. The resolution goes now to the House, where its chances of passage are regarded as good, despite vigorous objections from food distributors.

THE AAA made peanuts a major commodity when it was discovered that 320,000 farmers in half a dozen states were dependent on this crop for a livelihood. A processing tax is expected to help the government divert more peanuts from the nut and candy trade to the oil and farm feed business *(BW—Feb9'35)*. Washington officials, glancing over the result of the first few months under the latest tax plan, have an-

HOUSES
INCORPORATED

GRAND CENTRAL PALACE
480 LEXINGTON AVENUE, NEW YORK
TELEPHONE ELDORADO 5-0790

January 21, 1935

Mr. Mark Rose, Editor
Business Week,
New York, N. Y.

Dear Mr. Rose:

On December 15th, 1934, your magazine carried an article about the new pre-fabricated houses which our affiliated operating company, American Houses, Inc., is placing on the market.

The article did not contain a great deal of information nor was it given prominence in your magazine. To be perfectly frank, I did not pay a great deal of attention to the article because so many other periodicals and newspapers were giving the story a much better play than you did. However, the tremendous number of letters we have received from every State as a result of your article compels me to sit up and take notice, and to write you a word of appreciation.

Having formerly been in the publishing business myself, I know what it means to have the pull of the magazine last over a long period. It shows that your readers think well enough of the magazine to keep it around the house.

It is now January 21st or nearly four weeks since you published the article. The large number of inquiries that we have received each day seems to have remained constant throughout this period.

Very truly yours,
HOUSES, INC.

Foster Gunnison
President

FG:MV

nounced that $6 millions will probably be collected from the processing tax in the first year, ending Oct. 1, 1935. Benefit payments will absorb about $5 millions; the other million will cover administration expenses and provide a reserve.

Prix Pour Tous

French retailers offer chances on national lottery as sales incentive. Also certificates for railroad tickets and insurance premiums.

PARIS (*Special Correspondence*)—Merchandising premiums are as likely to survive a code system in France (if the Prime Minister succeeds in bringing industry under control) as in the United States (*BW—Jan5'35*).

The government has had an unexpected part in the recent burst of interest in the commercial premium. The great national lotteries have always been popular in France. Felix Potin, chain grocery dealer in Paris, bought lottery tickets and shared with his customers the chance to win a part of the prize. Certificates were issued against each government lottery ticket held by the store and given with purchases of special items which the chain was pushing. He got an amazing break when one of the Potin tickets won the grand prize of 2½ million francs (about $165,000) in the December drawing. The 200 customers who held certificates against that special ticket each received about $825 of the prize money. Potin delivery trucks now carry vast placards advertising a chance in the next national lottery.

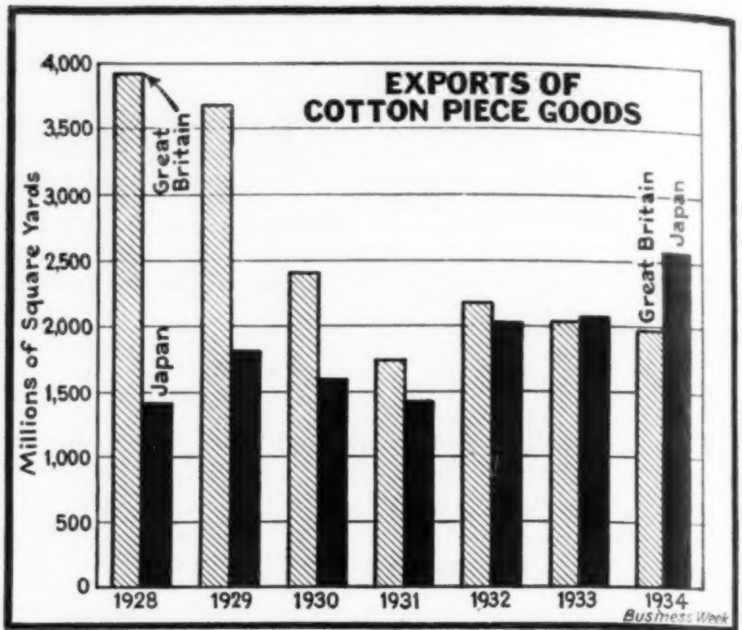
Chain Store Lottery

France's novelty chain stores (much like the 5-and-10 chains in the United States) have adapted the system to their peculiar business. They are buying government lottery tickets (which cost 100 francs each) and issuing 5- and 10-franc certificates against the ticket held by the store. The management is assured of the dealer's commission on the tickets, for they buy from the government at the wholesale price. Crowds have rushed to the store to buy a chance.

The French railroads (which are largely government-owned) are playing up to this new retail fad. A group of butchers, grocers, fruiterers, and dairymen with retail outlets in most of the larger cities of France are now offering with each 5-franc purchase a railroad premium certificate. Customers present these certificates at the "Le Tourisme Pour Tous," the government's central office for travel promotion, find each certificate good for one-half kilometer of travel in a third-class compartment.

Insurance companies are also trying the scheme. They assign a fixed value to each certificate offered with every 5-franc sale, and accept the certificates against monthly insurance payments. Retailers have found that the premium is a sales stimulant, for the average customer will push up his purchases to the next even unit at which he gets an additional certificate.

French railways, incidentally, have another merchandising plan which is working rather well. Travelers are being encouraged by a great poster campaign to "Buy railroad mileage as a gift." Ticket agents have special tickets which can be purchased on a mileage basis in any class and given to friends who can then "draw" on the mileage as they wish.



JAPAN HOLDS THE LEAD—Britain has definitely lost first place as world supplier of cotton textiles. Japan edged into the lead in 1933, boosted her advantage to half a billion yards in 1934. Japan features coarse, inexpensive materials; Britain is forced to concentrate on quality goods, except in protected markets. Nipponese rayon output is also expanding spectacularly. Only the United States produces in larger quantity; Japan is already the world's leading exporter of rayon cloth.

Nazi Advertising

First annual report of Hitler's Advertising Council fails to reveal significant facts, admits newspapers paid most in license fees.

BERLIN (*Special Correspondence*)—German executives worship statistics. Worst fears of the new "advertising control" which the Nazis instituted late in 1933 (*BW—Sep30'33*) were offset by the prospect that the new license fee would in itself serve as an index of advertising prosperity. Other data which were to be collected in a centralized National Advertising Council promised to throw more light on the business of advertising than Germany was in the habit of publishing.

These hopes explain the disappointment recently when the first annual report of the National Advertising Council was released. The program was set up to (1) make advertising more efficient through centralized control and raising of standards, (2) do away with the "swindle" in published circulation figures, (3) levy a tax of 2% on gross to carry out the fight against the foreign boycott on German goods and to push the "Buy German" campaign. There was little evidence in the report that any of its objects had been satisfactorily accomplished.

The tax has been collected, but no report is given on the total. There is vague talk of an index based on the collections for the first 6 months of 1934, with an index figure of 106 for October, 119 for November. There is mention of "funds spent in an African city" (Cairo) to fight a lawsuit started there by Jews against the German propagandists. Beyond this, highlights of the report are: License taxes were paid by 22,600 members of the various advertising media within the country up to Oct. 1; 55% of the total collected has been paid by newspapers, 28% by magazines, 6% by poster enterprises, and the remaining 11% by all other media (including directories, movies, and car cards).

The report admits that the Nazis have suppressed or forced to the wall by licensing taxes and regulations 1,200 newspapers and 800 magazines.

Business Abroad

British business is temporarily unsettled. Italy is forced to resort to import quotas to control trade balance. Russia will ship gold to London. Better outlook in Brazil and Argentina. Canadian finance attracts wide interest.

BUSINESS and politics combined to focus the week's interest in London. Tin, copper, rubber, wool, and pepper made commodity news of first importance (page 41). Industrial indicators for the yearend and for January, just available, show that Britain is still making satisfactory progress with heavy industries showing really spectacular gains. Confidence, however, is temporarily unsettled by the hint of scandal in the pepper and tin deals, and by the threat of political squabbling. Funds flowed to the Continent, especially Paris, during the week.

Crowds at the British Industries Fair, and elaborate preparations for the King's Silver Jubilee indicate that business refuses to fall into a funk because of temporary disturbances which, after all, have probably been overemphasized outside of Britain.

Import Quotas for Italy

Italy, despite the slow and steady expansion of industrial activity, is finding it difficult to make ends meet. Announcement this week that 1,500 items commonly imported are to be placed on a quota basis indicates the extremes to which Mussolini is going to protect the lira. It is a move in the direction of the extreme control of business which has been instituted in Germany and Russia. It is in striking contrast to the moves by Washington recently to loosen trade restrictions. The move overshadowed temporarily the transport of Italian troops to the Italian colonies along the Red Sea where Italy undoubtedly has trade, if not territorial, aspirations in Abyssinia.

France also heard from her African colonies this week when Algerians actively protested against the withdrawal of government support of the wheat and wine markets. France, in fact, is sinking further into the depression in spite of the vigorous policies of Flandin.

Russia made news in England and in the United States: (1) with the announcement that Moscow will ship gold to London to cover Soviet payments falling due this spring and summer; and (2) with the placing of an order for a complete $3-million electrically-driven steel rolling mill, equipment to be supplied by the United Engineering & Foundry Co., of Pittsburgh.

The Belgian-United States trade agreement, announced at the end of the week, is no more formal than an exchange of letters. Terms become effective 30 days after proclamation, carry most-favored-nation provisions.

The United States cuts import duties on 47 products from 16% to 50%, in return for concessions in Belgium affecting 45 items.

American exports affected by Belgian tariff reductions include automobiles and automobile parts, grapefruit, pears, oatmeal, cornstarch, radios, and calculating machines. In all there are 22 items which will pay lower duties. On another 12 items, present rates are made permanent. And on 6 items—including lard and meat—Belgium gives the United States larger import quotas.

To win these concessions in the Belgian market, the United States lowered tariffs on 47 import items, most important of which were plate glass, glass sand, cement, iron and steel mill products, linen fabrics, and handmade lace.

Concessions on neither side are as extensive as had been expected, but business is inclined to be satisfied with the results. The agreement is only in letter form now, and it may be broadened considerably before it is ultimately written into a trade treaty. Because of the similarity of conditions involved, the Belgian agreement can probably be accepted as a fair example of what can be expected in the pending Swedish and Dutch accords.

Acme

WORLD SHOPPERS AT LEIPZIG—Visitors and exhibitors have been coming to this old German "fair center" for 700 years to exchange ideas, sell their specialties. The 1935 Fair runs through the first week in March, includes exhibits from every major manufacturing country in the world.

Germany

Unemployment up. Germany produces more motor fuel at home; barely exceeds increase in demand.

BERLIN (*Wireless*)—There is a temporary lull in business activity. This is reflected in the increase in the number of unemployed and the new move by the government to demand that all laborers hold passports. This will help to force farm laborers back on the land and will put strictly under government control the movement of all labor from one place to another.

External politics are in a state of suspense. The Austrian premier has just returned from London, supposedly with a promise of British support to maintain the independence of Austria. Yet, Germans are looking forward eagerly to the visit to Berlin of British diplomats who will discuss with Nazi officials the new air pact and the Eastern Locarno. Berlin is more interested in, and more friendly toward, this British delegation than any recent foreign group with which it has negotiated.

France

Bank of France compromises with government on discount facilities. France to have CCC camps.

PARIS (*Wireless*)—The French government and the Bank of France have ended their battle of the last few weeks with a truce and a compromise. The government wanted unlimited discount privileges on all treasury bills; the Bank would have none of this. In the com-

promise, the Bank offered to make up to 30-day loans against treasury bills at $2\frac{3}{4}\%$. The government accepted. The official discount rate is $2\frac{1}{2}\%$, on collateral loans $4\frac{1}{2}\%$.

Beyond this, there was no significant development in French business this week. Unemployment is slowly increasing; business is slack; banks deposits at the end of 1934 were 7% below the total at the end of 1933. To cope with the serious unemployment situation, the Cabinet has sanctioned the establishment of camps for the unemployed very similar to the CCC camps in the United States.

Recent weakness of sterling has stirred the rumor in Paris this week that the British Stabilization Fund (supposed now to be operating with less than £50 millions) will be unable to support sterling against the continuous sales by the Dominions and Scandinavian countries.

Great Britain

The National government gets a new lease on life. Internal commodity scandals and fears concerning the Continent keep political parties in line.

LONDON (*Cable*)—Politics continue to dominate the trading situation. When it was known that unemployment in January was 239,558 higher than in December, the National government's prestige was shaken, since on the reduction of unemployment so many recent speeches by Ministers have been based. Better overseas trade figures, showing increased exports and rising retained imports of raw materials, redressed the balance a little. But there is no question that much is combining to frighten the electorate, including the shocking scandals over pepper, shellac, peanuts, and tin. This muddy business has given new force to the Socialist cry that "the City" must be swept clean, that banking and investment must be nationalized. Real trouble is that people like Banker McKenna hold several directorships and any accident to one of them reflects on the banks with which they are connected.

Paris Canard

When France got hold of various rumors and spread the absurd story that the Midland Bank had stopped payments and that the National government was about to fall, repercussions in "the City" were serious—so serious that jarring factions of anti-Socialism made a hurried truce. It so happened that a by-election was due in the Norwood Division of London. Tory rebels had prepared to fight the official candidate and split the vote. But representations from "the City" that any Socialist gain would re-precipitate the crisis caused a hurried withdrawal and a new tone of conciliation. The result is that no election will now be permitted until 1936, probably not before September. The party organizers who were ready for a fight this coming October have altered their plans. The National government will live out its legal five years' life. On the other side, the strongest critics are again calling off the hounds. As these critics are large newspaper proprietors with big businesses having many millions of investments, this change is largely dictated by self-preservation, since they are the last people who could stand a severe market slump.

Public Works No Panacea

An incidental benefit from the passing crisis was that a Labor vote of censure in the Commons fell down, but drew a new definition of government policy from Chancellor Chamberlain. He says that the government must not be judged on the amount of its expenditure on public works, that such expenditure in special circumstances may be sound but is always disappointing in terms of employment. Normal channels spend up to £400 millions a year on public works and no government could spend a tithe of that sum. The job of the government, therefore, is to create conditions in which industry can expand and provide increased employment. The implication here is that the government will retreat from the ground held by Elliot and the "planners" and prepare to fight on the old private enterprise terrain.

One result of the domestic troubles has been to take the public mind off the European situation. The somewhat belated reply of Germany to the air pact proposal has caused doubts rather than satisfaction at the British Foreign Office. Britain's view is that before a general European settlement is discussed, the air pact should be made firm. After resisting rather stubbornly the public demand for a larger air force, Chancellor Chamberlain has now admitted that the conclusion of an air pact must imply a bigger British force. Britain is only sixth among the air powers, although the air arm now makes her more vulnerable to sudden attack than ever in her history. If there is to be an air pact promising Germany something like equality, Britain, too, will have to build, and will probably finance this program by cutting down on the £56 millions now allotted to the navy.

Germany Dreams of "Big Reich"

Before Foreign Secretary Simon visits Berlin next week to discuss detail, the purely technical aspects are being discussed with France. Outside official circles (and probably within them) little reliance is placed on Hitler's avowals of a pacific spirit. Britain still sees Germany as a nation with a rising population trained in a new aggressive spirit. London concentrates on the fact that Germany's economic position—on latest figures—is growing worse, and Englishmen know that Hitler's early avowals that he will weld the Teutonic peoples again into a "big Reich" have never been purged from the German mind. This means that there is still an undertone of war fear in the minds of knowledgeable people. Add to this European fear the fact that General Smuts (whose opinions carry great weight in Britain) has again stressed the Far Eastern danger, and you can gauge the force of war uneasiness, which is not uttered from obvious motives of political and trading expediency. Nobody dares to disturb the confidence of the general masses of the British people, which has been carefully fed by the recovery propaganda of the National government. But the fear is there.

In the view of your correspondent, all moves in Britain may now be interpreted in the light of the above survey. The National government must be bolstered in public confidence for its full term of 18 months longer partly because nobody dares to risk a precipitated slump, and partly because external relations demand that no sudden interruption should mar the now active attempt to place Britain in a position to participate in the proposed air pact which may (or may not) lead to a general European settlement which, in turn, shall keep Hitler quiet for as long as possible.

Canada

Most-favored-nation agreement would give United States big market in Canada. Defaulting municipalities investigated.

OTTAWA—Business is absorbed with the probable benefits to come out of the new trade agreement likely to be negotiated with the United States in April.

It is understood here that Canada is prepared to offer the United States her most-favored-nation treatment, which involves a lowering of customs duties on about one thousand items and which would give United States manufacturers and other producers a tremendous advantage over competing countries like France, Czechoslovakia, Germany, Italy, and Japan who have a large transportation differential to overcome.

For nearly half a century, American goods entering Canada have been obliged to pay the maximum tariffs which the Dominion imposes. The United States is the only country of any importance whose goods are subjected to the "general" tariff of Canada, the principal reason being that the United States applies one tariff to all countries while Canada has three columns in her tariff schedules: the British perference, the intermediate, and the general tariff.

What Canada Offers—and Experts

Concessions which Canada would expect in return for most-favored-nation treatment of United States goods are not completely outlined yet but would undoubtedly include tariff concessions on exports to the United States of farm, lumber, and certain fish exports.

Municipal default in Canada jumped into the limelight during the meeting in Vancouver Feb. 11 and 12 when the mayor of that city presented to assembled bondholders a proposal to cut in half the interest paid on the city's debts. This major West Coast city is already \$10 millions in arrears on current expenses and debt servicing, according to data revealed at the conference, and is threatening complete default if no adjustment is agreed upon among bondholders. Banks, and plenty of responsible Canadians, fear that if such a city

Keystone

SCOUTING FOR BUSINESS—AND FOR A LOAN—The Brazilian Financial Mission arriving at London's Paddington station. They sanctioned the new trade agreement with the United States before they left Washington, failed to secure a loan from New York bankers, hope to be more successful in London. Included are Dr. Marcos de Souza Dantas, of the Bank of Brazil, Sebastiao Sampaio, Paulo Frederico de Magalhaes, and Captain Amaud, official British "greeter" on this occasion.

as Vancouver defaults, every other city in the West (where the depression has been felt most seriously) will feel that it might as well jump aboard the bandwagon and risk the stigma of repudiation for the sake of saving money. The whole move is at a standstill now while Thomas Bradshaw, president of the North American Life Assurance Co. and executive director of the Bank of Canada, conducts a study of the local financial situation in Vancouver. Meanwhile, schemes for refinancing the debenture debt of 8 of the worst cases of municipal default in Ontario, by reduction of interest only in 4 cases and by reduction of both interest and principal in 4 others, have been recommended to the provincial government by Mr. Bradshaw.

Latin America

Brazil buys more ginning machinery. Argentina sends large shipments to United States. Mexico prepares for tourist influx.

BRAZIL continues to hold interest for United States executives. Purchases of cotton ginning machinery are large, another $200,000 order having been received from São Paulo recently. At the same time, it has been announced that two of the leading spot cotton firms in New York have opened offices in Brazil, indicating that Americans are taking seriously the threat that Brazil will capture an increasing share of the world market for raw cotton because of excellent quality and low prices.

Considerable curiosity attaches to fresh reports from Rio de Janeiro of "fabulous" nickel resources which have been discovered recently in the undeveloped state of Goyaz. Exploitation so far is on a small scale, with capital furnished by Brazilians and with production exported largely to Germany.

Argentina has attracted business attention since January foreign trade figures were revealed showing the United States to be the second largest customer of the Argentine. For the first time in many years, the trade balance for the month favored the Argentine. This is due to the unusual situation this year in the United States caused by the drought. Cereals and forage are being imported from the Argentine, and added to the usual purchases in that market ran the total for January to more than 13 million pesos. This, especially if it continues for several months as expected, will improve the outlook for prompt payment by the Argentine of commercial bills as they come due. With harvesting already under way in the north, and with a bumper corn crop, collections have already improved. This stimulates greater interest in the announcement from Buenos Aires that the government will undertake a public works program calling for expenditures of nearly $40 millions, a part of which will inevitably go for heavy equipment.

The Chilean debt mission has arrived in New York (*BW—Feb16'35*) but no agreement is likely for some time.

Mexico is making unusual preparations for a tourist influx this spring and summer. Hotel accommodations have been improved and extended but they are still not adequate in Mexico City to care for the crowds at the peak of the season. To provide temporarily for this shortage of accommodations, National Railways is planning to establish a "Pullman City" in the heart of the business district where suitable quarters aboard Pullman cars will be provided for visitors who can not find accommodations in the hotels. Main section will be ready in May, will provide trackage for 144 Pullman and 31 baggage cars which can "sleep" 3,000 visitors.

Far East

China eases restrictions on silver for reexport. Japan industry faced with overproduction.

SILVER is beginning to move into and out of the Chinese market again as a result of the decree which has been issued by the government admitting quantities of 500,000 ounces or more for reexport free of all charges above the old 2½% export tariff. Emergency export duty and equalization charges are to continue in force on other silver in order to protect existing stocks. While this does not solve the basic monetary problem, it eases the situation in foreign exchange and has helped considerably to reestablish confidence.

Business in Japan continues active at high levels, though there is a trace of uneasiness among producers who fear government restriction because of declining foreign demand and mounting stocks. This is especially true in the rayon industry. The Cotton Spinners' Association is attempting to avoid a similar situation by increasing the production curtailment from the present 17% to 22%, effective April 1. The Tariff Investigation Committee is submitting to the Diet its recommendations for tariff changes, including reductions in duties on pig iron, steel, and precious stones, with an increase in the duty on vulcanized fibers.

Money and the Market

Bankers watch insurance phases of their new legislation, wonder about response to Glass questionnaire, see no problem in Treasury financing. Rail worries weigh down stocks and bonds. Commodities have exciting week.

The bill proposing a $1.1 billions intermediate credit bank for industry has been lodged with the House Banking and Currency Committee to stay until the Advisory Council has its own report out on the need for working capital loans to small businesses. The bill was inspired by the Beckman report on credit stringency (*BW—Nov17'34*) which was seconded by the Viner committee after its investigation of conditions in the Chicago Federal Reserve District (*BW—Dec 22'34*). Administration leaders do not think the experience of the RFC and Federal Reserve banks on direct loans to industry indicates a need for such an institution. At least, they want to see what those 2 agencies can do under liberalized provisions.

New Loan Campaign

The RFC is about ready to renew its direct-lending campaign under its new powers to accommodate borrowers showing "reasonable" ability to repay. A similar rule on qualification for borrowers is written into the new Federal Reserve Amendments; formerly both agencies required "adequate security." In 7 months of lending under the old provisions the RFC put out $34 millions. Loans of $10,000 and under were most common, 38% of the 600 individual loans being in this class; 88% were for less than $100,000. Federal Reserve banks have lent only $19 millions to date.

This indicates no great need for the proposed new intermediate credit machinery and the need would be even less if commercial banking policy were to be promptly liberalized along the lines suggested in the new bank bill, under which, if the Reserve Board sees fit, slow loans can be given the same eligibility for discount as commercial accommodations.

Interest of the financial world is still glued on Washington, but with hearings on the new banking bill and preparations for the Treasury's March financing replacing the "gold clause" as a focal point.

Bank Bill's Path Cleared

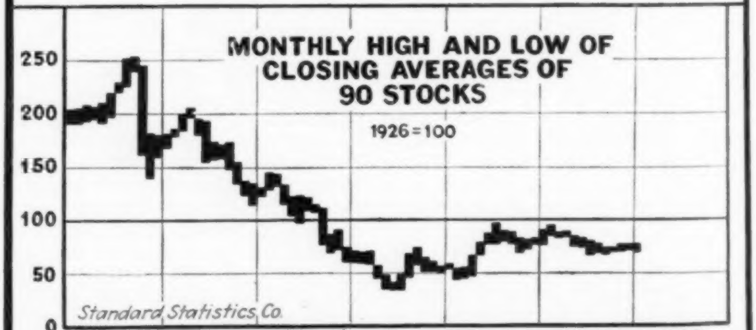
Senator Glass's subcommittee on banking having been packed with proponents of the banking bill, there is practically no doubt about a favorable report. Little concerted opposition is expected to develop from banking and business quarters, despite the revolutionary character of the proposed measure. Bankers feel their hands are pretty well tied, they are hesitant to raise voices in protest against their biggest stockholder and policeman. Furthermore, to kill the present bill would endanger modification of the deposit insurance act. They are showing more interest in that phase of the legislation than in the revision of the Reserve System that the whole program entails.

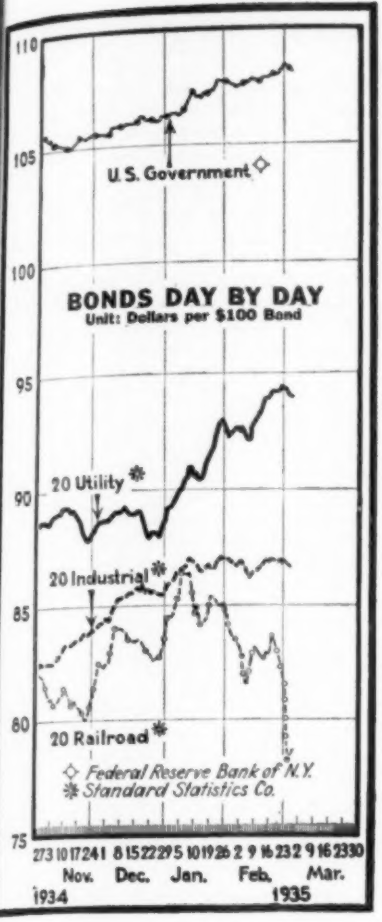
Big bankers are making small talk about their unfair treatment under the insurance section of the amendments, which levies against all their deposits, whereas few of their accounts come under the $5,000 maximum coverage. This mild opposition disguises their relief at the prospect of escaping the unlimited liability provisions of the present law which would take effect next July were the changes incorporated in the amendments not made.

It will be of particular interest to hear what the Federal Reserve Bank governors have to say on the bill. They practically become government appointees under it and lose their jobs as counselors on open market and discount policies. Senator Glass says they will be asked to give their views and they are ready for the occasion. A committee, under the chairmanship of Governor Harrison of the New York unit, has been at work for a number of months on legislative recommendations. The question now is: Will they say what they think or politely acquiesce to the will of their future bosses, the Secretary of Treasury and Federal Reserve Board Governor Eccles?

The Treasury's March financing will involve no new borrowing. Such new money as is needed between now and June 15 is to come from larger weekly sales of discount bills. Flotations are being stepped up from $75 millions weekly to $100 millions, the first such offering being divided equally between 6 months bills, as formerly used, and 9 months bills, the longest so far undertaken under this type of financing. Economy seems to recommend the course at the moment. The market took the $50 millions 9 months paper at 99.874, the equivalent of a 0.166% annual interest rate. This was a pleasant surprise to the Treasury, which anticipated something around 0.2%.

Meanwhile the "baby" savings bonds





have been launched through 14,000 post offices with a considerable show of public interest, the real significance of which cannot be judged until more is known about the amount of bonds that will be taken month in and out.

Quarterly financing so restricted to refunding presents little problem since the market is in good position to accept an exchange for both the $528 millions of maturing notes and the $1.8 billions of called Liberty bonds at sharp savings in interest. Best yields available at current prices are less than 1½% for 5-year notes and 2¾% on long-term bonds. A new offering split between long and short would be taken readily at slightly higher yields.

Bonds

A BOND market, made vulnerable by the long and steady climb of values, succumbed to bearish influences early this week, all divisions developing reactionary tendencies when the bottom dropped from under the railroad issues. The carrier obligations were practically without buyers for several sessions early in the week and prices dropped precipitately, unsettling the entire list, which only partially recovered in later trading.

Even the governments went off after getting into new high ground following announcement of the gold clause decision and the news that no new bonds would be brought out to compete with outstanding securities in the March financing. In that final bulge in federals even the guaranteed 2¾s of HOLC attained par. It was the natural inclination of dealers and institutional buyers to limit operations immediately ahead of a quarterly financing operation that, more than anything else, accounted for the subsequent easing in this division.

Reports for the "Boss"

Meanwhile, it develops that Washington wants even more direct control of its market than in the past. Dealers in New York have been requested to furnish the Federal Reserve Bank daily written statements of their position in government bonds and of amounts borrowed against the bonds as collateral. Similar information has previously been furnished orally, "for the bank's own purposes," but presumably available for the Treasury's information as well.

Dealers' positions are perhaps the most important day-to-day factor in governments since, in the normal course of business, their inventories of securities fluctuate a great deal. A simultaneous switch by several large dealers from the long to the short side of the market can account for a major price move in a sensitive market. Nor are the dealers in good shape to refuse the request of the Federal Reserve Bank since they have a very convenient arrangement of selling government bonds to the bank under repurchase agreements and would be severely handicapped by any rupture of the friendly relationship.

Bad News for Railroads

The break in railroad bonds reflects an accumulation of bad news. The financial district has decided that the RFC means to push the weaker lines through the wringer. This impression was crystallized when Western Pacific decided to default its Mar. 1 interest on $49 millions first 5s, following Chairman Jones' assertion that reorganization and debt-scaling was the way out for the several hopelessly involved roads.

Wall Street immediately jumped to the conclusion that some half-dozen roads would turn to the courts immediately, talked of another 60,000 miles' being in bankruptcy before the end of the year, making a total of 100,000 miles or 40% of the country's railroads.

On top of this news, the January earnings and current carloadings piled more bearish news upon the market. The first batch of January reports indicated an average drop of 18% under last January's net operating income, increased expenses, including the latest 2½% wage restoration, more than overcoming the slight pickup in gross revenues since last year. Weekly carloadings are running 40,000 short of the predictions of the regional advisory committees.

With this indigo atmosphere overhanging the carriers, sight was lost of the fact that the RFC proposes to continue lending in the sound situations; securities of roads that qualify for such aid were dumped along with the rest, although the better grades recovered some ground later. Sight was also lost of possible favorable developments which may result from an ICC recommendation for rate increases or a Supreme Court decision against pensions.

The disturbance of the market continues to restrain any new financing attempts, some of which have already been held up 2 months by one factor or another. Municipal offerings are coming faster, however, with New York State preparing to award $45 millions Mar. 5 and Iowa counties scheduling a total of $31 millions within the next month.

Atlantic Coast Line is getting ready to brave the market with a $12-million issue, the most important corporate offering since last fall's financing of the Edison Electric Illuminating of Boston and the first sizable railroad transaction since those of B.&O. and Pennsylvania last July.

Stocks

THERE was some margin calling in Wall Street this week, the first in many months, due principally to the wide-open break in railroad shares and to the liquidation of traders disheartened by the market situation when they had anticipated better things once the gold decision was out of the way. There was selective buying of industrial stocks under cover of the general weakness, and some specialties were able to move against the current; later, the entire list developed firmness after the selling early in the week had lost momentum.

Shares of sugar refiners were outstanding among the few strong features—thanks to better prices in sugar. They attracted particular attention because they were the one class that was depressed during the long bull market that ended in 1929. Other food stocks, particularly those of companies producing substitutes, furnished additional bright spots in an otherwise drab market.

In contrast with the railroads, the utilities firmed up, indicating that selling had dried up in this division and also reflecting the hope that holding company legislation might be tempered somewhat. They were also helped by the court decision against TVA's sale of power in competition with private companies.

Had the business news been more optimistic, stocks might have given a better account of themselves. Speculative sentiment was inclined to let news developments point the way. But, in contrast with the bullish factors that were wasted on an unresponsive market over the last 2 months, recent events have been indifferent or unfavorable. Bankruptcies and dividend cuts outweighed the few good earnings statements. The barometers which Wall Street watches were off, notably steel operations and scrap prices. A rebellious Congress and a stalemate for the Administration's legislative program did not help feelings.

This week, SEC Chairman Kennedy flatly recommended the listing of bank shares, but denying them special collateral status. He emphasized that shares of big banks were as widely held as corporation stocks in some cases.

Commodity Markets

COMMODITY prices have been unsettled by a succession of startling developments in item after item. Introduced in highly sensitive markets, they whipped prices around in lively fashion. Another disruption to regular shipments of farm products by storms over the Middle West shot hog prices further ahead, threw a scare into grain traders. Freakish weather over the winter hard wheat belt left traders in Chicago's pit in a quandary and ushered in the "weather markets" ahead of schedule.

International markets continue jittery over the disturbed situation in London commodity pools (page 32). Metals, rubber, and cotton experienced the most severe repercussions, although prices gave promise of better stability toward the close of the week. Rubber was further unsettled by announcement that plantation restrictions would be continued on a 75% basis for the second quarter, contrary to the general expectation that the export allotment would be cut to 70% or lower.

Sugar Up, Coffee Down

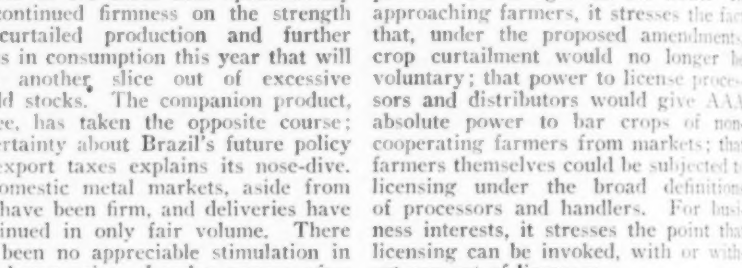
Sugar prices have been marching steadily ahead, raw sugar, duty paid, having risen well above 3¢ and refined sugar having followed the advance after some hesitation a few weeks ago. Interests in the trade talk optimistically of continued firmness on the strength of curtailed production and further gains in consumption this year that will take another slice out of excessive world stocks. The companion product, coffee, has taken the opposite course; uncertainty about Brazil's future policy on export taxes explains its nose-dive.

Domestic metal markets, aside from tin, have been firm, and deliveries have continued in only fair volume. There has been no appreciable stimulation in tin's lower price. London copper, after breaking under 6¼¢, braced upon reports that the world conference was to start within a week, with American and Canadian producers already lined up on allotment plans.

New uncertainties were introduced in cotton by Senate proposals that the government take possession of the 4 million bales it has under loans and hold it off the market for a couple of years.

Food prices have not advanced enough to bring articulate complaint from consumers, such as opponents of AAA's crop restriction programs have anticipated. So far, the substitution of cheap foods for scarcity items and the intrusion of imported foods has checked prices at about the point where consumer resistance might be encountered. In the absence of broad public complaint there seems little to impede enactment of AAA's clarifying amendments, which opponents to planned farming think go far beyond "clarification" in granting the Secretary of Agriculture tremendous new and arbitrary powers, not only over farming but over all manufacturing and merchandising interests which touch farm products.

The U. S. Chamber of Commerce is now attempting to rally both agricultural interests and processors of farm products for a fight on the issue. In approaching farmers, it stresses the fact that, under the proposed amendments, crop curtailment would no longer be voluntary; that power to license processors and distributors would give AAA absolute power to bar crops of noncooperating farmers from markets; that farmers themselves could be subjected to licensing under the broad definitions of processors and handlers. For business interests, it stresses the point that licensing can be invoked, with or without consent of licensees.



Editorially Speaking—

P. F. Hoard is secretary of the code authority of the wholesale hardware trade. Mr. Hoard resents the appointment of General R. E. Wood, president of Sears, Roebuck & Co., as the head of a new committee to advise the President on the allocation of the proposed $4.8-billion work relief fund. He uses official stationery of the Code Authority to broadcast his protest "against the apparent influence of representatives of large monopolistic interests of the chain stores and mail order houses."

Perhaps there is a hardware dealer just as competent to fill the place, but the appointment of neither should disturb the spleen of the other. General Wood is admittedly a first-class executive with an acute sense of civic responsibility, a liberal in matters of economy. Just how his suggestions to Mr. Roosevelt on disbursing a payroll dole could hurt the hardware trade is not obvious. Possibly Mr. Hoard just was not feeling so well the day he wrote the letter urging all good and independent hardware men to protest and oppose the intrusion of General Wood on our sacred work relief plans.

The most and the mightiest of our business organizations from the Chamber of Commerce of the United States to the Sentinels of the Republic have become belligerently and vociferously active against the little pink slip and income tax tattling. We agree that a vital issue is involved and that a legislative body which would pass such an enactment is a cross between a house detective and a columnist. On the other hand, we cannot see why the pink slip should arouse so much more alarm than the political hijacking of our banking system. Maybe we have a one-track mind.

Swift & Co.'s Fiftieth Anniversary Year Book describes the beginnings of the American packing business. It retells the story of how Gustavus F. Swift, at the age of 16, bought a heifer for $19 and sold the meat to his Cape Cod neighbors. Out of that incident comes the biggest packing business in the world; a business, incidentally, which gives a larger measure of public service for a smaller slice of the public's dollar than almost any other. Even so, Swift & Co. has been solvent for a long time. It began telling its stockholders the truth long before there were any laws about such things. It is one of the 4 or 5 aggressively competing packing companies that have brought the American livestock business to its present proportions.

One wonders whether this is the kind of bigness our political sponsors propose to do something about. Perhaps it's a good thing that Gustavus Swift didn't wait until 1935 to buy his heifer.

It seemed for a time that an important governmental reform had been initiated, and that Congressional nepotism had been scotched. The first payroll of the present Congress showed that but 1 national lawmaker in 12 had included members of his own family in his personal entourage and on the payroll of the House or Senate. In the former Congress the ratio was 1 in 10. It is now learned that since the payrolls of the last Congress were exposed, Senator Zilch puts Miss Gimp on his payroll and Senator Gimp hires Zilch, Junior. This is just one of several manifestations that make the American Congress interesting if not unique.

We have been inclined to suspect that our bankers had not heard about the Administration's proposed banking act and therefore could not be expected to do anything about it. But it is not true. The Indiana Bankers Association comes to the bat with a forthright statement about the whole business in which it indicates rather general disapproval. Furthermore, Indiana bankers are sending out the names and addresses of their senators and congressmen and suggesting, even urging, that stockholders, depositors and business men generally, who anticipate future need of banking credit, do something to express disapproval.

We wonder if Mary Dennis is still running the office of the Indiana Bankers Association and whether or not the American Bankers Association is on her mailing list.

The city council of Richmond, Va., has been considering a plan to impose an excise tax on the local manufacture of tobacco and its by-products, the tax to collect 10% of the amount manufacturers now pay in internal revenue taxes. The latter figure amounted to $113 millions last year, and Richmond's proposed slice would be about $11 millions, which is $2,464,000 more than the city now receives from all sources. Tobacco companies threaten to move and paragraphers think it's funny.

For further amusement they might ask the steel companies about the special municipal taxes on iron ore recovery on the Mesaba Range. This tax is so prolific and amusing that the miners have built themselves million-dollar school houses with ten-thousand-dollar flagpoles, marble swimming pools and theater assemblies. In such schools bewildered immigrant children who have never seen a bathtub are told how to lay places for a 9-course dinner. Apparently humor has no place in such situations.

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Reform by Destruction

The Rayburn-Wheeler bills to dissolve utility holding companies are fairly representative of the ethics and intelligence of the political forces that dominate Washington today. These bills cannot even pretend to be regulatory in character. They are purely punitive and destructive. They are intended to be so.

There is no evidence that the Administration sponsors or supports this particular legislation. President Roosevelt and Senator Wheeler waste no time pretending affection for or confidence in each other. Wheeler's technique is to anticipate some radical move on the part of the Administration and propose a bill to accomplish the Administration's purpose by means that are a little more radical and destructive than the Administration can stomach. He did precisely this by stealing Mr. Roosevelt's thunder in the campaign to penalize and whittle down big business. Nevertheless Mr. Roosevelt makes no secret of his ambition to destroy what he calls bad utility holding companies, without describing definitely what constitutes badness.

Business generally has been inclined to abandon utilities to their political fate, and many if not most utility executives have felt that a defensive fight would result in nothing but more punishment and further reprisals. That attitude is too common among all harassed businesses.

The confiscation and destruction proposed by the Rayburn-Wheeler bill should be fought unremittingly by utilities and all business for two reasons. First, because most utility holding companies perform an important and indispensable service in our national economy, and second, because literally millions of small investors, in good faith, put their savings into the securities of holding companies at a time when those securities were as sound as the average corporate investment available to the public. There is an inherent public advantage in monopolistic bigness in the utility field. Complete governmental regulation of such business units is possible. Is government prepared to admit that it must destroy efficient groupings of its utilities because it is incompetent to regulate them?

It is significant that President Roosevelt has gone out of his way to make it clear that the American Telephone & Telegraph Co. and the Bell System constitute one unit of bigness that he would not destroy or debilitate by excessive regulation. That is our simplest and most convincing example of how monopolistic size may serve the public interest. Anyone can understand that the public gets better service when telephoning from New York to Los Angeles if the message doesn't have to be juggled by half a dozen competing and none too friendly corporations en route. A comparable situation exists in other utility fields. For similar reasons fullest potentiality of electrification can never be reached in this country until electrical energy ebbs and flows across the country with the greatest possible freedom.

But it is no part of the purpose of this legislative excursion to stimulate the electrical industry or to encourage the electrification of factories, farms, and homes. That would be a recovery measure. This move excuses itself only on the basis of reform, and reform is being put ahead of recovery in practically everything that is labelled as national planning. Even on the basis of reform it may find excuse but not justification. There has been much to reform in business as well as in government, and the utilities are no exception to this rule. But there is no essential reform which cannot be accomplished by the Federal Trade Commission, the Federal Power Commission, and the Securities and Exchange Commission under legislation now on the statute books.

The Rayburn-Wheeler bill provides that after January, 1938, utility holding companies must dispose of securities and capital assets "not necessary or appropriate to the operation of a geographically and economically integrated public utility system," and after January 1, 1940, no such company can exist without a special permit from the Federal Power Commission. Thus, in order to punish a few bad utilities which are already brought fully within the regulatory power of state and federal governments, there is proposed the destruction of hundreds of companies that are utilities in the fullest sense of the word and represent the savings of millions of people.

The provision that the Power Commission may postpone destruction at its will provided the company is small enough and restricted to a satisfactorily narrow geographical area certainly gives no sanction to such legislation. The letter and the spirit of the bill are pernicious. The mere fact that business is a little punch drunk and inclined to believe that such a bill will pass eventually is no excuse for permitting its enactment without a fight.

Mr. Roosevelt Intercepts Another Forward Pass

Mr. Roosevelt is one of the ablest politicians who ever sat in the White House. In maintaining that reputation he seems to have the active support of his political enemies. The adoption of the Senate amendment to the \$4.8-billion work relief bill, providing for the payment of the "prevailing wage" on relief work, again puts Mr. Roosevelt in the position of being the one dependable safeguard against the dangers of economic absurdity. On that vote 21 Republican senators voted to pay prevailing wages to work relief dependents and but 2 voted against the amendment.

There were several impassioned speeches, the general purport of which was that sustenance wages or any wage less than the community and union scale would beat down the wage level in this country and make serfs of our workmen. Nevertheless, it was perfectly obvious that most of the Republican votes were cast against the President and not in support of an economic principle. Included in the list of those who voted against him were most of the faintly available Presidential candidates including Senator Vandenberg, at present the white hope of the Republican party. This vote will take a lot of explaining in the next Presidential campaign. The only answer Mr. Roosevelt need ever make is to emulate Al Smith and say: "Let's look at the record."

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